The Manhattan Housing Market

by

John R. White, M.B.A., M.A.I.

and

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TABLE OF CONTENTS

	Page
PURPOSE OF THE MANHATTAN HOUSING MARKET ANALYSIS	1
INTRODUCTION	2
DEMAND FOR MANHATTAN HOUSING	
I. Population Factors	3
Population Composition	4
White & Non-White Concentrations	5
Puerto Rican In-migration	8
In-migration's Effect on Housing Market	9
II. Household Factors	10
Household Sizes	10
Household Trends	12
Effect of Household Formation on Housing Demand	12
Age Distribution in Manhattan	13
III. Rent Levels In Manhattan Housing	14
Free Market Rents	14
Controlled Rents	18
IV. Principal Economic Factors	18
Personal Income Levels	18
Personal Expenditure Trends	22
Personal Income & Housing Demand	24
Metropolitan Employment	24
Manufacturing Employment	27
Retail Trade	30
Wholesale Trade Employment	32
Service Trades	32
Water-Borne Trade Activity	33
Other Factors	34
Occupation of Manhattan's Residents	36
Manhattan Office Employment	38
Real Estate Market Factors	39
Economic Factors & Housing Demand	40
Effect of Residential Decentralization	42

Page

V. The Changing Composition of Demand 42

Concept of Need Rather Than Demand 42
Future Demand Forces 43
Case Study of an Urban Renewal Project . . 44
The Cooperative Movement 46

THE SUPPLY OF MANHATTAN HOUSING

I. Existing Housing Inventory 48

S.M.A. Housing Stock - 1950. 48
Manhattan's Housing Stock. 48
Changes in the Housing Inventory 1950-56 . 49

II. New Residential Construction Volume. 51

National New Construction. 51
S.M.A. New Construction. 52
New York City New Construction 58
Present & Prospective Construction Outlook. 59
Changes By Conversion & Demolition 61
Construction Costs 67

III. Vacancy & Turnover Factors 68

Rental Vacancy Rates 68
Population Mobility. 72
Significance of Vacancy & Turnover Rates . 78

IV. Land Availability & Land Costs 79

Population Density 79
Manhattan Land Uses. 79
Land Costs 82

V. Mortgage Money Supply & Financing Aids 84

Interest Rates 84
Financial Aids to Investment 85
Mortgage Money Supply & New Construction . 88

Page

GOVERNMENTAL PARTICIPATION IN MANHATTAN HOUSING

I. Rent Control 89

The Historical Background. 89
Long-Term Implications 90
Proposed Solution. 91
Free Market Conditions 92
Conclusions. 93

II. Public Housing Programs. 93

Historical Background. 93
Public Housing Construction. 95

III. Municipal Code Enforcement 96

Code Enforcement In A Controlled Market. . 96
Violations & Dismissals. 97

IV. Subsidized Privately Sponsored Housing 98

Limited Dividend Housing Company Act . . . 98
Limited Profit Housing Companies Act . . . 99
Redevelopment Companies Act. 100

V. Title I Housing. 101

The Record 101
The Objectives 103
The Future 104

INVESTMENT TRENDS IN MANHATTAN HOUSING

Sales Volume 105
Price Trends 106
Rates of Return. 107
Property Tax Aspects 109
Income Tax Aspects 113
Syndication. 113

Page

SUMMARY AND CONCLUSIONS

Economic Factors 115
Real Estate Market Factors 116
Governmental Factors 118
Investment Trends. 119
The Future For Manhattan Housing 119
The West Side Urban Renewal Story. 121

T A B L E S

Table No.		Page
1.	Population Changes in the New York-Northeastern New Jersey Standard Metropolitan Area	3
2.	Changes in the White & Non-White Population in the U.S. 1950-1958	4
3.	White & Non-White Population of Selected S.M.A.	6
4.	Racial Distribution of Population in New York-Northeastern New Jersey Standard Metropolitan Area 1940-1957	7
5.	Puerto Rican Migration to New York City	8
6.	Puerto Rican Population of New York City and Manhattan	8
7.	Households in the United States	11
8.	Number of Households	12
9.	Age Distribution of the Population in the New York-Northeastern New Jersey S.M.A., New York City & Manhattan 1940, 1950, 1957	14
10.	Private Unsubsidized Rental Apartments Completed Between 1947 & 1956 By Monthly Rent & By Number of Rooms, Manhattan, March, 1957	16
11.	Median Monthly Rent of Private Unsubsidized Rental Apartments Completed Between 1947 & 1956, By Number of Rooms & By Location, In Manhattan, March, 1957	17
12.	Personal Income in the United States 1953-1959	19
13.	Family Income in the United States	19
14.	Buying Power of Population of United States & Selected Areas of New York State	21

Table No.		Page
15.	Distribution of Households By Income, New York City & Manhattan 1949 & 1958	23
16.	Employment in New York City & New York County 1942 Through 1955 and Forecasts for 1960, 1965, 1970 & 1975	25
17.	Employment in Selected Areas of the New York-Northeastern New Jersey S.M.A.: 1947-1954	26
18.	Employment in New York City: First Six Months Average 1958 & 1959, & the Month of June, 1958 & 1959	28
19.	Change in Employment in New York City: 1954 - Average for First Six Months 1959	28
20.	Employment Covered By Old-Age & Survivors Insurance Law March, 1953 & March, 1958 New York City	29
20A.	Retail Gains	31
20B.	Water-Borne Trade	33
21.	Occupation of Employed Residents in New York-Northeastern New Jersey S.M.A. - 1940-1950	37
22.	Percentage Distribution of Occupations of Employed Residents of Manhattan: 1940-1950	38
23.	Housing Inventory For New York-Northeastern New Jersey S.M.A: 1950	49
23A.	Housing Characteristics in New York-N.E. New Jersey S.M.A.: 1950	49
24.	Housing Inventory in New York City & Manhattan 1950-1958	50

Table No.		Page
25.	Estimated Dollar Volume of Non-Farm Residential Building Put In Place During Year in United States: 1947-1959	51
26.	Total Private & Public Non-Farm Dwelling Units Started During Year 1947-1959, In United States	53
27.	Privately-Owned Permanent Non-Farm Dwelling Units Started During Year 1947-1959	54
28.	Number of New Dwelling Units In Five Leading Metropolitan Areas 1955-1958	55
29.	Central City - Suburban Distribution of New Dwelling Units in Five Leading Metropolitan Areas: 1956-1958	56
30.	Changes in New York City's Housing Supply, Additions, Deductions, & Net Change by Year: 1950-1958	57
31.	Changes in New York City's Housing Supply 1958-1959	58
32.	Number of Dwelling Units Completed In New York City By Ownership & Type of Structure: 1956-58	60
33.	Apartments Completed in Manhattan: 1946-1956	62
34.	Private Unsubsidized Rental Apartments Completed, By Location, Manhattan, 1947-1951 Compared With 1952-1956	62
35.	Private Unsubsidized Rental Apartments Completed Between 1947 & 1956, By Number of Rooms, Manhattan, March, 1957	63
36.	Private Unsubsidized Rental Apartments Completed, 1947-1951 and 1952-1956 By Number of Rooms & Location, Manhattan, March, 1957	64

Table No.		Page
37.	Construction of Apartment Buildings in Manhattan 1947-1961	65
38.	Number of Dwelling Units Added By Conversion in New York City 1946-1957	66
39.	Cost Differentials Between Consumer Prices & National Apartment Construction Costs 1950-1958	67
40.	Vacant Dwelling Units in United States: 1950-1958 - First Quarter, 1959	69
41.	Vacant Dwelling Units in New York-Northeastern New Jersey S.M.A.: April 1, 1950	70
42.	Vacant Privately-Owned Dwelling Units in Manhattan: 1950-1958	71
43.	Occupied & Vacant Units in Private Unsubsidized Rental Apartments Completed Between 1947 & 1956, By Monthly Rent, In Manhattan, March 1, 1957	72
44.	Total Number & Vacancies In Private Unsubsidized Rental Apartments Completed Between 1947 & 1956 By Location & By Year of Completion, Manhattan: March 1, 1957	73
45.	Mobility of Civilian Population of the United States: 1948-1958	74
45A.	Tenant Turnover, Manhattan: 1952-1958	76
46.	Movement of Tenants 1955 & 1956, Manhattan	77
47.	Land Development: 1954	80
48.	New York City Land Use Inventory	81
49.	Selling Prices of Apartment Plottage Second Avenue, 66th-72nd Streets, 1946-1959	83

Table No.		Page
50.	Selling Prices of Apartment Plottage, Third Ave. 62nd to 77th Streets: 1946-1959	83
51.	Construction of Public Housing Project in Manhattan: 1936 - May, 1959	95
52.	Government Assisted Housing	102
53.	Total Sales, Consideration, of Real Estate in Manhattan 1945-1958	105
54.	Ratio of Selling Prices to Assessed Valuation Manhattan Residential Properties: 1952-1957	106
55.	Ratio of Tax Collections to Municipal Expenditures, Manhattan Fiscal Years 1950-1958	111
56.	Assessed Valuations of Manhattan Properties & Tax Collections 1949-1950 Through 1959-1960	112

THE MANHATTAN HOUSING MARKET

A study of post World War II housing conditions in Manhattan, and the underlying economic and political forces that affect the supply of and demand for housing, together with some predictions of future market conditions.

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PURPOSE OF THE MANHATTAN HOUSING MARKET ANALYSIS

The City of New York, through the Urban Renewal Board acting as its local public agency, is planning to revitalize the twenty block area from West 87th to West 97th Streets, Central Park West to Amsterdam Avenue, under the provisions of Title I of the Housing Act of 1949, as amended. As a departure from previous Title I practises in New York City, the area will be renewed by a combination of spot clearance of the worst properties, most of which are pre-1901 old law tenements in an advance state of physical dilapidation and functional obsolescence; by rehabilitation of many properties, principally brownstones; finally, by conservation of the physically and functionally sound structures, the majority of which front on Central Park West.

The specific uses to which a tract of this size and location may best be put can be determined only after a comprehensive housing market analysis. The formulation of land uses must be rooted in the basic population, income and economic factors which molds New York City's destiny. These uses must also reflect the character and quality of the housing market.

Thus, this housing survey is an indispensible pre-requisite to a determination of residential needs. As a natural corollary, it aids in the evaluation of the relative marketability of the tract for fully taxable, privately sponsored housing. Finally, it is an invaluable guide to the appraiser in the estimation of the market value of the tract for reuse purposes.

I N T R O D U C T I O N

In analyzing the housing market in Manhattan, it must be recognized at the outset that this market has been significantly influenced by two factors that have been peculiarly characteristic of the post World War II period. First, the housing market has been forced to operate in a regulated system of rent-controls, originally on a basis of federal law growing out of the War and, after 1951, on a state-enacted basis. As is typically the case under price controls of any kind, both demand and supply of housing were affected: the demand was accentuated and the supply retarded.

The second factor to have a serious impact on the Manhattan housing market was the revolutionary changes taking pace within the city itself - the decline of the central city and the rapid suburbanization of urban communities throughout the United States, especially the large, congested industrial cities. Beginning in the 1930's, the movement of both population and industry from the central cities into suburban and even rural areas has continued at a rapid pace, particularly during the years following World War II. This explosion, as it is frequently called, seriously altered the nature and character of our cities. Together with regional shifts in population, it has profoundly affected the nature of the housing market everywhere.

In addition to effects of the movement and growth of population, this post-war period has been a time of unprecedented activity in construction of all kinds. It has been a time of new developments in methods of financing and of ready availability of money for investment in real estate. The growing population managed to outstrip production of housing in most areas until very recent years. Changes in living standards brought about by high-levels of business prosperity contributed to the overall ability of the people to acquire new homes. Changes in the pattern of living and tastes of the people also brought about a new way of life for the American people as a whole, based on the automobile and the pseudo-country atmosphere of the suburbs. Just how well Manhattan's housing market adjusted itself to this dynamic period and how it was affected by these trends in American social and economic patterns will be presented in the ensuing pages. The quantity and quality of Manhattan's housing stock will be analyzed; the effects of current municipal housing policies on the market will be assayed; finally, the significance of residential and industrial decentralization on the housing market will be evaluated.

It must be pointed out that Manhattan's housing market is only the core segment of the bigger city housing market as well as that of the Standard Metropolitan Area. The conclusions which will be reached will apply only to Manhattan. Wherever possible, however, the effects of the core market on the peripheral boroughs and the S.M.A. will be discussed.

DEMAND FOR MANHATTAN HOUSING

I. POPULATION FACTORS:

While the 17 County New York - Northeastern New Jersey Standard Metropolitan Area has been expanding in both area and population during the past twenty years, the population of the central cities of this area, including New York City, Jersey City and Newark, has increased very little, if at all.

TABLE 1
POPULATION CHANGES IN THE NEW YORK
NORTHEASTERN NEW JERSEY STANDARD METROPOLITAN AREA
1940 - 1958

AREA	1940	1950	% CHANGE	JAN 1,1959 ESTIMATE	% CHANGE
New York - N.E. New Jersey S.M.A.	11,660,839	12,911,994	10.7	14,521,700	12.4
Central Cities:	8,185,928	8,629,750	5.4	8,540,000	- 1.0
New York City	7,454,995	7,891,957	5.9	7,771,300	- 1.5
New York County	1,889,924	1,960,101	3.7	1,752,600	-10.5
Jersey City, N.J.	301,175	299,017	- 0.7	302,200	+ 1.0
Newark, N.J.	429,760	438,776	2.1	466,500	+ 6.3
Outside Ring:	3,474,911	4,282,244	23.2	5,981,700	39.9
% of Total Popul. in Central Cities	70	67		59	
% of Central Cities Total Popul. in NYC	91	91		91	
Popul. change in portion of S.M.A. in New York State:	8,706,917	9,555,943	9.7	10,572,900	9.6
Central City	7,454,995	7,891,957	5.9	7,771,300	1.5
Outside Ring	1,251,922	1,663,986	32.9	2,801,600	68.3
% of Popul. in Central City	85.7	82.5		73.5	

SOURCE: (1) Donald J. Bogue, POPULATION GROWTH IN STANDARD METROPOLITAN AREAS 1900-1950. (Housing and Home Finance Agency, Washington, D.C., December, 1953), pp. 61-72.
(2) Unpublished Ph.D. Thesis, THE CHANGING CHARACTER AND EXTENT OF URBANIZATION IN THE UNITED STATES, by Edna Hebard (New York University, Graduate School of Business Administration) October, 1957.
(3) Sales Management, SURVEY OF BUYING POWER, 1959.
(4) Compiled, as to January 1, 1959 estimate from data in report issued by Metropolitan Regional Council, Aug. '59.

Manhattan has apparently suffered a substantial decrease of 174,223 according to estimates based on the special U.S. Census for New York City taken in 1957. Demographers are currently pegging Manhattan's population at 1,750,000 representing a loss of 110,000 persons in two years and 210,000 since 1950. In light of the high in-migration, as subsequently discussed, this is a disturbing trend, with possibly serious ramifications. The proportion of the population residing in central cities is steadily declining and the New York-Northeastern New Jersey Metropolitan Area is one of those in which this tendency is most readily apparent. All evidence points to a continuation of this trend. Many demographers feel that the 10% population decline in Manhattan since 1940 may be expected to continue.

Population Composition

At the same time that the number of residents in Manhattan has been declining, the composition of the population has been undergoing many significant changes. One trend attracting much attention is the continued growth in the non-white proportion of the population. This is a trend common to most urban centers, particularly the larger, industrial cities of the northern sections of the country to which tremendous numbers of non-whites have been gravitating from rural areas in the south. Much of this in-migration was due in part to the disruptive influence of World War II and, to a considerable extent, to the prevalence of job opportunities and housing in the northern cities. This housing was usually the old, obsolete dwellings and flats to be found in the deteriorating sections of the cities and was generally available at reasonable rates to these low-income groups. In New York City, the low rents resulting from an undue continuance of rent controls was a further motivating factor in promoting non-white in-migration. While there has undoubtedly been a fair amount of illegal rent-gouging, the bulk of rentals are still at low legal ceilings.

It has long been a well-known fact that the non-white population of the United States has continuously increased at faster rates than the white population and, in recent years, the more rapid rates have prevailed.

TABLE 2

CHANGES IN THE WHITE & NON-WHITE POPULATION IN THE UNITED STATES

1950-1958

(In thousands - includes Armed Forces overseas.)

	Population				
	Total Number			Percent Change	
Race	4/1/50	7/1/57	7/1/58	1957-58	1950-58
White	135,343	152,392	154,795	1.6	14.4
Non-White	15,789	18,804	19,269	2.5	22.0

SOURCE: Bureau of the Census, CURRENT POPULATION REPORTS, POPULATION ESTIMATES, Feb.11, 1959, "Estimates of the Population of the United States, July 1, 1956 to 1958".

These increasing numbers of non-whites have been moving rapidly into the large Standard Metropolitan Areas, such as the New York-Northeastern New Jersey S.M.A. (Table 3). Between 1940 and 1950 the number of non-whites residing in the 168 S.M.A's rose from 5.72 to 8.25 million with the non-white population pouring in to the S.M.A's at more than twice as fast a rate (44%) as did the whites (20%). By 1950, 52% of the nation's non-white population was living in these metropolitan areas with 7.51 million still remaining outside of these urban centers to provide a potential source of future migration.(1)

White & Non-White Concentrations

In every instance of this rapid and almost phenomenal flooding of the non-white segment into metropolitan areas, most (82%) of the increase occurred in the central cities (Table 3). The greater majority of the non-white residents took up residence in the core areas in old, deteriorated, low-rent housing close to the urban job markets (than the suburbs). This in-migration of non-whites to the central cities has proceeded simultaneously with an exodus of the white population to the suburbs. Many central cities over the past three decades have gained few, and in numerous instances have actually lost, white residents. For example, Chicago experienced a decline of 0.1% in white population and a gain of 80.3% in non-whites in the ten year period from 1940 to 1950. Cleveland lost white population at the rate of 3.5% and increased the non-whites by by 76.1%. Buffalo with a 2.7% loss in whites and 106.2% increase in non-whites, Pittsburgh with a 2.5% decline and a 32.9% gain, and Wilmington with a 5.2% loss and 20.6% increase disclosed similar tendencies.(2) Consequently, the proportionate shares of the total population represented by these two racial groups shifted substantially. By 1950, 14% of Chicago's residents were non-white, 16% of Detroit's and Cleveland's, 18% of Philadelphia's, and 35% of Washington, D.C. This trend continued in the next decade with increased vigor until nearly one-fifth (19%) of all the people residing in Chicago were non-whites and with comparable results in other cities. It has been estimated that over one-half of the residents of Washington, D.C. in 1958 were non-white.(3)

New York City has been no exception for it has constantly lost white residents while gaining non-white population. By 1957, 13% of New York City's population was non-white. Manhattan lost 180,815 whites in the seven years following 1950 at the same time that it attracted an additional 14,783 non-whites, so that by 1957 nearly one Manhattan resident in every four (23.4%) was non-white (Table 4).

(1) Paul F. Coe, "THE NON-WHITE POPULATION SURGE TO OUR CITIES", Land Economics, Vol. XXV, No. 3, August 1959, P. 196.
(2) U.S. Dept. of Commerce, Bureau of the Census, "POPULATION OF STANDARD METROPOLITAN AREAS AND CITIES OF 50,000 OR MORE, BY COLOR: 1950 & 1940", 1950 Census of Population, Advance Reports, Series PC 14, No. 1.
(3) Edward C. Banfield & Morton Grodzins, Government & Housing in Metropolitan Areas. N.Y. McGraw-Hill Book Co. Inc., 1958.

TABLE 3
WHITE AND NON-WHITE POPULATION OF SELECTED
STANDARD METROPOLITAN AREAS
1940 - 1950

Standard Metropolitan Area	WHITE 1940	WHITE 1950	NON-WHITE 1940	NON-WHITE 1950	% CHANGE 1940-1950 White	% CHANGE 1940-1950 Non-White
New York-N.E. New Jersey	10,991,985	11,865,949	668,854	1,046,045	8.0	56.4
Central Cities:	7,648,633	7,757,641	537,295	872,109	1.4	62.3
New York City	6,977,501	7,116,441	447,494	775,516	2.0	62.4
Newark	383,534	363,149	46,226	75,627	-5.3	63.6
Jersey City	287,598	272,051	13,575	20,966	3.3	54.4
Outside Ring	3,343,352	4,108,308	131,559	173,936	22.9	32.2
Per Cent in Outside Ring	30.4	34.6	19.7	16.6		
Chicago, Ill.	4,490,662	4,890,126	334,865	605,238	8.9	80.7
Central City	3,114,564	3,111,525	282,244	509,437	-0.1	80.5
Outside Ring	1,376,098	1,778,601	52,621	95,801	29.2	82.1
Per Cent in Ring	30.6	36.4	15.7	15.8		
Detroit, Mich.	2,204,551	2,654,270	172,778	361,927	20.4	109.5
Central City	1,472,662	1,545,847	150,790	303,721	5.0	101.4
Outside Ring	731,889	1,108,423	21,988	58,206	51.4	164.7
Per Cent in Ring	33.2	41.8	12.7	16.1		
Philadelphia, Pennsylvania	2,862,794	3,187,121	336,843	483,927	11.3	43.7
Central City	1,678,577	1,692,637	252,757	378,968	0.8	49.9
Outside Ring	1,184,217	1,494,484	84,086	104,959	26.2	24.8
Per Cent in Ring	41.4	46.9	25.0	21.7		
Pittsburgh, Pa.	1,969,667	2,075,975	112,889	137,261	5.4	21.6
Central City	609.236	503,825	62,423	82,981	-2.5	32.9
Outside Ring	1,360,431	1,482,150	50,466	54,280	8.9	7.6
Per Cent in Ring	69.1	71.4	44.7	39.5		

SOURCE: Hebard, op. cit., pp. 262-269

TABLE 4

RACIAL DISTRIBUTION OF POPULATION IN NEW YORK - NORTHEASTERN NEW JERSEY STANDARD METROPOLITAN AREA

1940 - 1957

Selected Portions of Area	POPULATION - BY RACE					
	White			Non-White		
	1940	1950	1957	1940	1950	1957
S.M.A.	10,991,985	11,865,949	N.A.	668,854	1,046,045	N.A.
N.Y. City	6,977,501	7,116,441	6,699,734	477,494	775,516	1,095,737
N.Y. County	1,568,087	1,556,599	1,375,784	321,837	403,502	418,285

	CHANGE IN POPULATION - 1940-1957							
	White				Non-White			
	1940-1950		1950-1957		1940-1950		1950-1957	
	Number	%	Number	%	Number	%	Number	%
S.M.A.	873,964	8.0	-	-	357,191	56.4	-	-
N.Y. City	38,940	2.0	-416,707	-5.9	298,022	62.4	320,221	41.3
N.Y. County	-11,488	-1.3	-180,815	-11.6	81,665	29.2	14,783	3.7

	PER CENT OF TOTAL POPULATION					
	White			Non-White		
	1940	1950	1957	1940	1950	1957
S.M.A.	94.3	91.1	-	5.7	8.9	-
N.Y. City	93.6	90.2	87.	6.4	9.8	13.
N.Y. County	83.5	79.4	76.6	16.5	20.6	23.4

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, "POPULATION OF THE STANDARD METROPOLITAN AREAS AND CITIES OF 50,000 OR MORE, BY COLOR ; 1950 and 1940", 1950 Census of Population, Advance Reports, Series PC-14, No. 1.

N.Y. State Commission Against Discrimination, Report, New York Times, November 19, 1957.

Puerto Rican In-migration

Concurrently with the increase in the non-white population, there has been a significant in-migration of Puerto Ricans to New York City. As of January 1st, 1959, there were 654,000 Puerto Ricans in New York City, representing 8% of the population. Of these, about 289,000 were in Manhattan, or 16% of the population. The extent of this in-migration can easily be correlated with U.S. national income. The recessionary episodes of 1949, 1954 and 1958 have resulted in sharp declines in the migratory trend as job opportunities lessened.

TABLE 5
PUERTO RICAN MIGRATION TO NEW YORK CITY

Year	Estimated Migration to New York City	Percent of Total Migration
1950	29,500	85
1951	42,300	80
1952	45,500	77
1953	51,800	75
1954	16,100	75
1955	31,800	70
1956	34,000	65
1957 (a)	22,600	60
1958 (b)	17,000	60

(a) Revised on basis of new survey data from Puerto Rico.
(b) Preliminary. Rounded to nearest thousand.

SOURCE: Facts & Figures, Commonwealth of Puerto Rico, January, 1959.

TABLE 6
PUERTO RICAN POPULATION OF NEW YORK CITY & MANHATTAN

Date	Total	Puerto Rican Birth	Puerto Rican Percentage	Manhattan
12/31/58	654,000	463,000	191,000	289,000
12/31/57	619,000	448,000	171,000	
12/31/56	577,000	426,000	151,000	
12/31/55	527,000	394,000	133,000	
12/31/54	479,000	363,000	116,000	
12/31/54	448,000	348,000	100,000	
12/31/52	383,000	297,000	86,000	
12/31/51	328,000	253,000	75,000	
12/31/50	276,000	211,000	65,000	

SOURCE: Ibid.

44% of the Puerto Rican population reside in Manhattan, with principal concentrations in East Harlem, Park West and Chelsea. The language barrier, a lack of education and a basic unfamiliarity with housing and living customs and practises in the United States have made adjustment very difficult for Puerto Ricans and recently arrived non-whites as well. Because of the constrictions which rent control imposes on freedom of housing choice they have crowded into rooming houses and tenements in the slum areas in distressingly large numbers. It is not unusual for an entire family with one or more children to live in one room, sharing a hall toilet with several other families. Many of the migrants lived under similar, if not worse, conditions in their native habitat. Their occasionally unsanitary practises arising from uneducation of course helps to accelerate the physical deterioration of already functionally obsolete, blighted dwellings. Then, as the neighborhood is "typed", the destructive processes of economic obsolescence are intensified and create a further pall on the areas in which the Puerto Ricans predominate. Blighted areas are transformed into slums and the degenerative processes continue at a rate seemingly faster than our capacity to redeem the decay.

In-Migration's Effect on Housing Market

It is estimated that about 40% of Manhattan's population of 1,750,000 is either Negro or Puerto Rican. This does not suggest an ideal climate for a housing market. First, many of these people, especially the in-migrants of the last decade, have not had the educational and cultural opportunities of the white urban dweller. Their socio-cultural standards, their sense of civic responsibility, their respect for private property, their job skills - all understandably have been relatively lower. Their forward strides in recent years, however, suggest that they will eventually draw even with their white neighbors in a reasonable period of time.

A second factor is the vestiges of discrimination which still exist even in a city as cosmopolitan as New York. The populace is still generally slow to accept the equally intelligent, educated and cultural non-white or Puerto Rican. While this social system exists, the growth of the quality housing market is inhibited. Certainly it has been a contributing factor to the out-migration of substantial, middle-income white families.

A third factor which adversely affects the housing market is the relatively low income status of non-whites and Puerto Ricans. Because they have lagged in education, they cannot command the wages of the skilled worker, the supervisor or professional man. While precise statistics are unavailable, we can state broadly that these elements earn a smaller amount of money, perhaps less than half, than their proportion of the total population. Thus, in many instances, they are unable to pay economic rents. This increases the pressure for subsidized public housing, for direct mortgage loans at low interest

by the state and municipality and for substantial tax abatement on new apartment construction. A further, more comprehensive analysis of the effects of subsidized supply on the housing market will be made later in the report.

To conclude, the trends in the racial composition of the populace have been sharply etched, not with a devisive purpose but to illustrate that uneducated people arriving in great numbers within a short time span, create housing problems for the municipality, help to create blight and slums, weaken the quality of housing inventory, impede demand for economic rents, weaken the tax base by creating the need for subsidized housing and, finally, contribute to the motivations leading to the out-migration of better educated, higher income, white families from the hear of the city.

It has been said that Manhattan has become or will become a city of rich and poor, without the substantial middle class that has always been the vital segment of the housing market. The population changes, when considered with the personal income trends as subsequently reported, tend to lend statistical support to this conclusion.

II. HOUSEHOLD FACTORS:

The rate at which new households form and the number of persons in each household are better and more accurate clues in estimating demand than population itself. The unprecedented increase in households in the post World War II era not only reflects population growth but also the undoubling of families as combined households split up. Their increased purchasing power enables many persons to establish separate abodes. Prosperity has also increased the number of one-person and two-person unrelated households.

From July 1, 1950 to July 1, 1959 the country's population increased by 25,445,000 to an estimated total of 177,128,000. There has been an accompanying growth in the number of households of nearly 2% per year for a total increase of 7,545,000 by March, 1958. Further increases in the number of households are forecast for coming decades. The number of persons per household has declined constantly since the turn of the century. In 1956 it was estimated that there were only 3.33 persons in each household in this country. Since then the estimate has risen slightly to 3.35 persons per household with predictions of continued increases until 3.43 per household is reached in 1975. (Table 7).

Household Sizes

The number of households in New York City has grown by approximately 328,870 to a total of 2,442,400 from 1950 to 1959. In New York County the households increased by 95,210 to a total of 591,700 (Table 8). Since 1940 the average size of a household in the New

York Metropolitan Area has followed the national tendency to decline, dropping from 3.72 persons in 1940 to 3.31 in 1955 and a projected 3.21 persons per household by 1960. New York City's household size has also decreased from 3.6 persons in 1940 to 3.07 in 1957. With its natural large-city tendency toward smaller household-size, Manhattan's households have decreased in number of persons from 3.4 in 1940 to 3.1 in 1950 and an estimated 2.96 persons in 1957 and 1958.

Interesting facts concerning the composition of New York City households were obtained in a study by the Temporary State Housing Rent Commission in 1957. Among 9,110 controlled apartments in which the rent was $200 monthly or higher, 63% of the households had no children under 18 years of age, 75% of the household heads were 45 years or older and 20% were over 65 years old. Thus, the pattern of an aging, childless household society in core areas is supported by these statistics.

TABLE 7
HOUSEHOLDS IN THE UNITED STATES

DECENNIAL CENSUS	NUMBER	ANNUAL INCREASE		POPULATION
		NUMBER	PER CENT	PER HOUSEHOLD
Estimated				
1951	44,656,000	1,017,000	2.31	3.44
1952	45,504,000	848,000	1.88	3.44
1953	46,334,000	830,000	1.81	3.43
1954	46,893,000	559,000	1.20	3.45
1955	47,788,000	895,000	1.90	3.34
1956	48,785,000	997,000	2.00	3.33
1957	49,543,000	758,000	1.55	
1958	50,402,000	859,000	1.73	3.35
Projections				
1960	51,877,000	644,000		
1965	56,076,000	840,000		3.40
1970	61,094,000	1,004,000		
1975	67,003,000	1,182,000		3.43
1980	73,085,000	1,216,000		
Increase 1958 to 1980	22,683,000			
Average annual increase		1,149,000		
Per Cent increase	45.0%			

SOURCE: U.S. Department of Commerce, Bureau of Census, Current Population Reports, Population Characteristics, Series P-20, No. 90, Dec. 29, 1958.

TABLE 8
NUMBER OF HOUSEHOLDS

New York City	
1950*	2,113,530
1958 (Estimated)#	2,447,200
1959 (Estimated)#	2,442,400
New York County (Manhattan)	
1950*	496,490
1958 (estimated)#	599,700
1959 (estimated)#	591,700

SOURCE: * U.S. Census of Population, 1950.
Sales Management "SURVEY OF BUYING POWER", May 10, 1958 and May 10, 1959.

Household Trends

The apparent trend is the disposition for households to increase in size in the suburbs where there is found the heavy concentrations of families with children. Prosperity has also sparked a surge in birthrates, which will be reflected in increased household sizes in suburban areas. In contrast to the suburban trend, cities, particularly core areas, show a decline in the average household size, attributable to the continually aging population, the rise in the number of one- and two-person households and the out-migration of households with children.

Studies of the household composition and size in recently completed Manhattan rental housing reflect this trend. Undoubtedly apartment distribution, with emphasis on the rental units, must reflect these trends. There will be more new rental housing constructed with smaller suites in the future than has been the case in the past.

It must also be observed that some fifteen years after the second World War the amount of household undoubling is at an irreducible minimum. The relative rate of family formation has recently declined, reflecting the fewer number of depression-born children coming of age at the present time. A resumption of the growth rate is anticipated by 1965 as the World War II baby marries and seeks housing accommodations.

Effect of Household Formation on Housing Demand

Manhattan, as well as all other boroughs and municipalities, will feel the effects of this significant decline in the annual household formation rate. Manhattan's total of households has actually declined some 8,000 in the last year (Table 8), reflecting local as well as national conditions. These factors will tend to deprive the housing market of some of the vitality that has characterized it in the last decade. There is no sense of urgency in the housing market

generally. The obvious decline in demand presently being experienced in Manhattan and environs results in part from the conditions presented in the accompanying tables. This decline, however, is generally transitory and will end in the mid-1960's.

Age Distribution in Manhattan

The years since 1950 have brought many changes in the age composition of the population in the United States. By July of 1958, there were estimated to be nearly 3-1/3 million more children under five years and almost 8.9 million more children of elementary school age. At the same time 4.5 million persons had reached the age-group of 45-64 years while the group past 65 years of age increased by 2.8 million. The age-group which will reach marriageable age in the next few years (18-24 years) declined by 553 thousand and the 25-34 years group by 497 thousand.(1) New York State underwent a similar experience with the various age-groups making comparable changes - a slightly lower rate in the group under 5 years, a little higher rate in the 5-17 years group, a considerably lower rate of increase in the 18-44 years group and a slightly more rapid decline in the 45-64 years class being notable differences(1).

In New York City, the population for some decades has become proportionately more mature. There were more of New York City's people who had passed their 45th birthday in 1950 than there were in the suburban areas. Manhattan displayed this tendency to an even greater extreme: 36% of its population was over 45. Since families with children had largely moved to the suburbs, it is no surprise to learn that the age-group between 25 and 44 (the most numerous group of all age-groups) represented only about one-third of the population in both New York City and Manhattan Borough. In all the age-groups under 24 years, the proportion was considerably smaller in the downtown area of Manhattan than in the City as a whole.

In view of the estimated population changes with respect to age in the United States since 1950 and the general pattern of living habits of the people of metropolitan areas, there could be little doubt that Manhattan's population would become progressively older in spite of the tremendous general increases in the number of school-age children. Most of the families with young children (the 25-44 years age-group) are to be found with increasing frequency in the suburban areas. Persons over 45 years continue to find Manhattan a more desirable place to live - partly because of the availability of greater numbers of apartments in the City and the convenience of city living for older people, and partly because the age-groups whose children are grown and whose income is in the higher levels favor the luxury apartments located in Manhattan. In 1957, 37.5% of Manhattan's population was over 45 years of age with 10% of all the people over 65, a considerably higher proportion than that for the entire city.

(1) U.S. Bureau of the Census, Current Population Reports, Population Estimates, Series P-25, Nos. 193 & 194, February, 1959.

TABLE 9

AGE DISTRIBUTION OF THE POPULATION IN THE NEW YORK - NORTHEASTERN NEW JERSEY STANDARD METROPOLITAN AREA. NEW YORK CITY, AND MANHATTAN

1940, 1950 & 1957

AGE GROUP	S. M. A.			NEW YORK CITY			MANHATTAN		
	1940	1950	1957	1940	1950	1957	1940	1950	1957
All ages	100.0	100.0	N.A.	100.0	100.0	100.0	100.0	100.0	100.0
Under 5 years	6.0	9.0			8.4	8.3	4.7	7.1	7.1
5-14 years	14.0	13.0			12.4	15.1	11.2	9.6	12.3
15-24 years	17.0	14.0			13.5	11.9	15.2	12.8	11.3
25-44 years	35.0	32.0			33.1	30.1	38.1	34.8	31.9
45-64 years	22.0	24.0			24.8	25.4	24.4	27.0	27.4
65 and over	6.0	7.0			7.7	9.1	6.3	8.7	10.1
Median Age	32.0	33.5	N.A.		34.5	N.A.		36.6	N.A.

SOURCE: Census of Population for 1940 and 1950
Hebard, op. cit., pp. 288 and 304
Edgar M. Hoover and Raymond Vernon, Anatomy of a Metropolis
Cambridge, Mass. Harvard University Press, 1959. pg. 231.

III. RENT LEVELS IN MANHATTAN HOUSING:

Free Market Rents

Our consideration of rent as an indicator of housing demand is initially and primarily concerned with the uncontrolled segment of the market, that is, with residential rental units constructed after February 1st, 1947. As a general statement, it may be said that rents have been steadily rising in the post World War II market. The disposition toward increases has been especially marked since 1956. Within this broad, secular trend, there are short-term moderate fluctuations in rent created by existing supply-demand conditions.

For example, rents rose sharply in 1956-1957 as new construction decreased because of a short supply of mortgage money. One new building, 233 East 69th Street, containing 200 apartments, originally rented in 1956 for $740 per rental room per month on 1-to 3-year leases. The 1-year leases were renewed a year later at an average of $840 per room. Now, some 3½ years after completion, the building averages about $890. per room. Rents on some vacant apartments were decreased in 1958 and early 1959 as a plentiful supply of apartments created intense competition for the available demand. With a new mortgage shortage looming, it is anticipated that rents will again increase within six months. The significant point is

that periodic rent increases seem to be higher than periodic recessions in rent. As a result, successively higher rent plateaus are reached. This is true in varying degrees in sound market areas in Manhattan.

Differences in rent levels in conventionally financed new construction vary greatly, according to location. Highest rents of $1,200 or more per standard rental room per annum are obtainable in the Fifth, Madison and Park Avenue areas from East 60th Street to East 86th Street. Rents per room decline to $1,000 in the Lexington - 3rd Avenue locations and to $800 to $900 on 1st and 2nd Avenues. Even the new non-fireproof six-story apartments on the far East Side streets rent for $700 to $750 per room per annum. Choice locations in the Murray Hill and Lower Fifth Avenue residential sections rent for the same or only slightly less than their East Side counterparts.

Builders canvassed in a survey of rent conditions generally state that $780 per room is the least that they can charge today to obtain a fair return on land cost and fireproof building cost. Even this rent is possible only in really marginal locations on the east side, Greenwich Village or lower 3rd Avenue.

In the last few years, F.H.A. has encouraged builders to utilize Section 220 in urban renewal sites and Section 207 on private plots, in which 90% mortgages are available. F.H.A. has devised a misleading, highly inflated rental room count on which the amount of mortgage is based, and on which rent computations are made. In equating F.H.A. room counts with a standard rental room count, it has been concluded that, in view of room sizes and location there is really little or no difference in F.H.A. as compared to conventional rents, except in urban renewal sites where low land acquisition cost has enabled builders to charge less rent.

In a recent survey by the Department of City Planning, it was found that average monthly rents in Manhattan Title I housing were $50.00 a room as against $69.00 in privately financed, non-subsidized rental housing. Rents in all categories were found to be higher in Manhattan than any other borough. Only 25% of the new dwelling units completed in New York City were in the $85.00 - $125.00 per month rent class, and virtually all of these were in outlying locations in the peripheral boroughs. There recently have been pronounced signs of weakness in the renting of the new luxury apartments. Many new buildings are opening only half filled and it is generally taking a year after completion to fill a building completely. There have been relatively few Manhattan F.H.A. 220 or 207 rental projects completed but it is safe to assume that less renting difficulty will be encountered since these rents are in the lowest range of new construction rentals.

According to a survey made by the Temporary State Housing Rent Commission in 1957, rentals charged for new, private unsubsidized apartments ranged from a median of $120. for a one-room unit to $500 or more for the 7-room and larger units. Over one-half of this new housing constructed between 1947 and 1956 commanded rents of $100. to $149 per month; 847 of the 2-room suites rented from $100. to $200; 36% of the 3-room apartments rented between $100. to $149. with the balance ranging to $249. 4-room suites ranged from $150. to $350.

TABLE 10
PRIVATE UNSUBSIDIZED RENTAL APARTMENTS COMPLETED
BETWEEN 1947 & 1956 BY MONTHLY RENT & BY NUMBER OF ROOMS
MANHATTAN, MARCH, 1957

Monthly Rent	All Apts.	PER CENT Distribution - Number of Rooms							
		Total	1	2	3	4	5	6	7 or more
All apts.	19,642	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
$ 50 to $ 99	687	3.5	27.5	10.0	2.5	0.4	0.0	0.0	0.0
$100 to $149	5,421	27.6	56.4	45.7	36.2	11.0	2.8	0.0	0.0
$150 to $199	6,089	31.0	15.4	39.6	25.5	36.6	9.7	4.8	0.0
$200 to $249	3,064	15.6	0.7	4.3	23.2	17.9	8.0	2.0	0.0
$250 to $299	2,003	10.2	0.0	0.3	9.1	17.3	21.6	3.2	0.0
$300 to $349	1,179	6.0	0.0	0.0	2.9	10.2	25.0	14.5	0.0
$350 to $399	629	3.2	0.0	0.0	0.4	4.1	19.3	20.9	0.0
$400 to $449	314	1.6	0.0	0.0	0.2	2.1	6.9	22.5	5.0
$450 to $499	79	0.4	0.0	0.0	0.0	0.3	2.8	6.0	0.0
$500 or more	177	0.9	0.0	0.0	0.0	0.1	3.9	26.1	95.0
Median Monthly Rent		$181	$120	$144	$172	$205	$316	$410	$500+

SOURCE: Temporary State Housing Rent Commission, op cit.

The median rental for new unsubsidized apartments in Manhattan in the 1947-1956 period was $181 per unit and $57 per room. This is undoubtedly higher today, as previously reported. The median rent of course varies by location. Highest rents are obtainable in Mid-East Manhattan and lowest in Upper Manhattan (Table 11). The Mid-West Manhattan section does not compare favorably in relative desirability with the Mid-East section as the enclosed table demonstrates.

TABLE 11

MEDIAN MONTHLY RENT OF PRIVATE UNSUBSIDIZED RENTAL APARTMENTS COMPLETED BETWEEN 1947 & 1956, BY NUMBER OF ROOMS & BY LOCATION, IN MANHATTAN, MARCH, 1957

	Entire Borough		Lower Manhattan		Mid-East Manhattan		Mid-West Manhattan		Upper Manhattan	
No. of Rooms	Per Unit	Per Room[1]	Per Unit	Per Room[1]	Per Unit	Per Room[1]	Per Unit	Per Room[1]	Per Unit	Per Room[1]
All apartments	$181	$ 57	$160	$ 48	$219	$ 71	$175	$ 53	$123	$ 37
1 room	120	120	124	124	157	157	-	-	76	76
2 rooms	144	72	135	67	158	79	127	63	79	39
3 rooms	172	57	135	45	212	71	165	55	120	40
4 rooms	205	51	181	45	277	69	216	54	138	35
5 rooms	316	63	323	64	339	68	262	52	174	35
6 rooms	410	68	(3)	(3)	435	73	326	54	185	31
7 rooms or more	500+	(2)	(3)	(3)	500+	(3)	(3)	(3)	(3)	(3)
Median Number of Rooms:	3.2		3.3		3.1		3.3		3.3	

(1) This figure is an average computed by dividing the median rent for all units in the district by the median number of rooms of units in the district.

(2) Not computed because of open-end classes.

(3) Too few cases to compute median.

SOURCE: Temporary State Housing Rent Commission, op cit., pg 14.

NOTE: For purposes of this report Upper Manhattan is delineated as that section of Manhattan Borough lying North 96th Street, Mid-East Manhattan lies East of Fifth Avenue North of 23rd Street and South of 96th Street. Mid-West Manhattan lies West of Fifth Avenue, North of 23rd Street and South of 96th Street. Lower Manhattan is the section below 23rd Street.

Controlled Rents

The rent controlled segment of the housing market has, of course, lagged behind free market rents. According to the Temporary State Housing Rent Commission, there were 497,500 controlled apartment units in Manhattan and about 160,000 rooming house units in Manhattan. This is an overwhelming portion of the total housing supply. New York City rents, according to the Bureau of Labor Statistics rent index, have risen from 104% in 1950 to 131% today, or a 26% increase in the last decade. However, many of the units included were subsequently decontrolled or were originally free of controls so, the index is not an accurate picture of the still controlled accommodation.

If, however, we add 26% to the 1950 median rent in New York City, as reported by the Census Bureau, the typical controlled apartment would rent for $53.50 or less that 1/3 of the rent required to assure a fair return on the cost of a similar but new apartment. This widespread disparity discourages households in controlled units, even though they have the financial capacity, from seeking new units at rents associated with current high construction costs.

IV. PRINCIPAL ECONOMIC FACTORS:

To evaluate accurately the relative quality of the demand for Manhattan housing, consideration must be given to underlying economic forces which ultimately find expression in the rents and prices of housing. It is not within the scope of this analysis to portray in detail every economic factor which influences housing demand. Extensive consideration, however, has been given to employment, retail and wholesale trade, manufacturing, commerce, income and other factors which will help determine future as well as current market conditions. Significant events and developments which will directly affect demand and which demonstrate most effectively the changing internal structure of Manhattan are summarized in the following pages. Significant trends in the economic base of Manhattan, as set forth, assist in forecasting future demand and supply housing conditions which may not necessarily be reflected in the current housing market.

Personal Income Levels

Still another significant change in the characteristics of New York City's population which has become apparent in the post-war period is the rise in personal and family income. This has been typical of the United States as a whole, for the total annual personal income rose from $288.3 billion in 1953 to $354.4 billion five years later (Table 12), with a possible 1959 annual income of around $380 billion.(1)

(1) Federal Reserve Bulletin, Sept. 1959

At the same time, median family income in the United States rose from $4,233 in 1953 to $5,087 in 1958 (Table 13). New York State and New York City both have higher median family incomes than the national level, with $5,523 for New York State and $5,478 for New York City in 1956.(1)

TABLE 12
PERSONAL INCOME IN THE UNITED STATES
1953 - 1959

YEAR	ANNUAL TOTAL	DISPOSITION OF PERSONAL INCOME		
		PERSONAL CONSUMPTION EXPENDITURES	HOUSING & RELATED GOODS AND SERVICES AND HOUSEHOLD OPERATION	PERSONAL SAVING
1953	288.3	232.6	56.5	19.8
1954	289.8	238.0	58.4	18.9
1955	310.2	256.9	63.4	17.5
1956	330.5	269.4	67.7	21.1
1957	347.9	284.4	78.3	20.7
1958	354.4	286.2	80.1	19.8

SOURCE: Housing & Home Finance Agency, HOUSING STATISTICS, November, 1958 & May, 1959.

TABLE 13
FAMILY INCOME IN THE UNITED STATES
1953 - 1958

YEAR	MEDIAN INCOME	
	ALL FAMILIES	NON-FARM FAMILIES
1953	$4,233	$4,462
1954	4,173	4,406
1955	4,421	4,705
1956	4,783	5,061
1957	4,971	5,232
1958	5,087	5,338

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, CURRENT POPULATION REPORTS, Series P-60, Nos. 27, 29 & 32.

(1) State of New York, Interdepartmental Committee on Low Income, 1956-1959, "Characteristics of the Population of New York State".

A variance of even greater significance occurs in the estimated effective buying income of households in New York City as compared with the rest of the country. This effective buying income is considerably higher in New York City where it was $7,217 in 1958 as compared with $6,005 for the United States as a whole. Manhattan with an effective buying income per household of $7,748 was highest of all and this was also true with the per capita effective buying income in Manhattan where it was $2,616 in 1958 as compared with $2,268 for New York City and $1,758 for the United States (Table 14). The total effective buying power for Manhattan borough in 1958 was $4,584,573,000. Households consisting of individuals, on the other hand, received much smaller incomes with a median income of $2,014 in New York City and $1,875 in New York State in 1956.(1)

The income per household in New York State varied considerably by age of the head of the family, ranging from $5,290 within the age-group of 25-34 years to $6,540 for the 45-54 age-group and then declining to $5,662 for the 55-64 age-group and $5,664 for the 35-44 age-group. It may be well to note here that the age-groups between 25 and 54 are those which tend to reside in suburban areas in order to rear their growing families. The age-groups over 50 show an inclination to reside in central cities or in the satellite cities of metropolitan areas. The unrelated individuals, on the other hand, display a tendency to receive a higher median income in their earlier years. In New York State in 1956 the median income reported for this classification ranged from $2,839 for the 25-34 age-group to $2,210 for the 55-64 age-group. It has been established that by far the greater majority of the households consisting of unrelated individuals, whether a widow, bachelor, unmarried man or woman, are to be found with increasing frequency in the central cities, satellite cities of metropolitan areas, or medium-sized cities throughout the country; therefore, it can be expected that Manhattan has a very large proportion of these unrelated individual households, representing comparatively low incomes.

There also appears to be a correlation between the size of the family or household, with the median income increasing as the number of members of the family grows. In the 1956 data for New York State, the median income ranges from $4,680 for a two-person household to $6,111 for a seven-person family group. It should be noted that, during the past 30 years as the population moved into the suburbs, there were some groups with a stronger propensity to leave the central city than others. For example, those households with only two members tended to favor the cities as a place of residence. On the other hand, the families with children under 18 years of age tended to leave the central city for the suburbs -- the more children under 18 per family the stronger was the possibility that they would reside in the suburban areas. This leads to the conclusion that central city sections, such as Manhattan, would be those neighborhoods most favored by the lower income, small family households.

(1) Ibid.

TABLE 14

BUYING POWER OF POPULATION OF UNITED STATES & SELECTED AREAS OF NEW YORK STATE

1956 - 1958

	UNITED STATES	N.Y. STATE	N.Y. N.E. NEW JERSEY S.M.A.	N.Y. CITY	NEW YORK COUNTY
Total Population (000's)					
Estimated 1/1/57	168,805.3	16,351.7	14,406.1	8,094.3	1,862.5
Estimated 1/1/58	171,994.4	16,404.1	14,330.0	7,785.1	1,776.3
1/1/59	174,914.2	16,676.5	14,521.7	7,771.3	1,752.6
% of U.S. Total 1957	100.0	9.6867	8.534	4.795	1.103
1958	100.0	9.5376	8.3318	4.5265	1.0328
1959	100.0	9.5341	8.3022	4.4429	1.0020
No. of Families* 1957	46,478,900	4,991,600	4,408,900	2,545,000	628,800
No. of Households 1958	50,372,700	4,996,300	4,378,100	2,447,200	599,700
No. of Households 1959	51,217,200	5,073,900	4,433,400	2,442,400	591,700
Effective Buying Income(1) (Estimated)					
1956 Net Dollars (000)	$283,793,829	31,252,937	30,765,032	16,345,124	4,397,358
1957	298,254,624	34,920,054	32,782,509	17,791,262	4,809,945
1958	307,567,728	35,570,126	33,154,677	17,627,072	4,584,573
1956 % of United States	100.0	11.0126	10.8409	5.7597	1.5495
1957	100.0	11.7083	10.9916	5.9653	1.6128
1958	100.0	11.5650	10.7797	5.7312	1.4906
1956 Per Capita	$ 1,681	1,911	2,135	2,019	2,361
1957	1,734	2,129	2,288	2,285	2,708
1958	1,758	2,133	2,273	2,268	2,616
1956 Per Family*	5,736	6,261	6,978	6,422	6,993
1957 Per Household	5,921	6,989	7,488	7,270	8,021
1958	6,005	7,010	7,499	7,217	7,748

(1) Gross household income, less federal and state income taxes

* Family in the Sales Management Survey is the same as the U.S. Census private Household or dwelling unit, in other words, an occupied dwelling unit.

SOURCE: Sales Management, SURVEY OF BUYING POWER, May 10, 1957, May 10, 1958 and May 10, 1959.

As the disposable personal and family incomes have been rising, the pattern of income distribution has changed. In 1929, New York City had 29.9% and Manhattan 41.7% of its families and unrelated individuals in the income group receiving less than $2,000. Only 4.1% and 5.3% respectively, received $10,000 and over(1) and only 22.9% and 14.8%, respectively, were in the $4,000-$7,000 group. By 1958, this distribution had changed radically. Now New York City had only 9.9% and Manhattan 7.8% of the households receiving less than $2,500 (as compared to 21.3% for the entire United States) while 45.4% of New York City's households and 48.4% of Manhattan's had incomes of $4,000 to $7,000 and 11.2% and 12.4%, respectively, received over $10,000 (Table 15).

There is some credence in the frequently expressed remark that New York, particularly Manhattan, has become a city of rich and poor, without a substantial middle class. As Table 15 indicates, 71% of Manhattan households earn less than $7,000. This is a higher percentage than Detroit (67.4%), Chicago (68%) and New York State as a whole (70.8%). Manhattan fares poorly in its percentage of wage earners between $7,000 and $10,000, with 16.6%. Cities such as Buffalo, Cleveland, Chicago and Detroit have higher percentages of households in this class. New York City as a whole compares favorably, with 20.4%, in this class; it is exceeded only by Detroit. Thus, the Manhattan level of personal income is lower than peripheral boroughs and in many instances lower than other cities throughout the country.

On the other hand, Manhattan has a higher percentage of wage earners over $10,000 than any other urban area in the country. There is a considerable concentration of wealth in Manhattan. The city total of 11.2% of its households over $10,000 is also excellent, and exceeded only by Chicago.

The income in New York City comprised a smaller proportion of the metropolitan area's total in 1957 (74.7%) than it did in 1948 (81.1%). The bulk (66.2%) of all personal income in the City in 1957 originated in wages and salaries, the smallest proportion in the area. Manufacturing provided one fourth (25.3%) the largest of all wages and salaries earned in the City, followed by trade with 24.6%, the service trades with 14.2%, government with 11.5%, finance, real estate and insurance with 9.8% and other sources of wage and salary income with approximately 15%.(2)

Personal Expenditure Trends

Throughout this post-war period, at the same time that personal income was increasing, personal consumption expenditures were also mounting (Table 12) partly because of rising prices and partly because of increased desire for goods and services on the part of consumers, reflecting their pent-up need following the War and their optimisn growing out of prosperous business conditions. Personal saving, on the other hand, varied exceedingly little when compared with rising income levels. Total personal saving in the United States from 1953 ranged from $17.5 billions in 1955 to $21.1 billion in 1956 ($21.0 billion in 1959).

(1) New York State Dept. of Commerce, Business Fact Book New York City, 1957, p. 18.
(2) Commerce Review, Vol 12, No. 12, Dec. 1958, Pg. 3.

TABLE 15

DISTRIBUTION OF HOUSEHOLDS BY INCOME, NEW YORK CITY & MANHATTAN

1949 & 1958

	NEW YORK CITY						MANHATTAN					
	1949			1958			1949			1958		
	Number	% of Reporting	Cumulative %	Number	% of Reporting	Cumulative %	Number	% of Reporting	Cumulative %	Number	% of Reporting	Cumulative %
Total	2,848,815	100.0		2,442,400	100.0		912,890	100.0		591,700	100.0	
$0 -$2,499	1,042,040	39.4	39.4	241,798	9.9	9.9	440,585	53.6	53.6	46,153	7.8	7.8
$2,500-$3,999	709,395	26.8	65.2	319,954	13.1	23.0	184,370	22.4	76.0	87,592	14.8	22.6
$4,000-$6,999	632,015	23.9	89.1	1,108,850	45.4	18.4	122,070	14.8	90.8	286,383	48.4	71.0
$7,000-$9,999	150,690	6.1	95.2	498,250	20.4	88.8	26,240	3.8	94.6	98,222	16.6	87.6
$10,000 & over	108,320	4.9	100.0	273,549	11.2	100.0	35,670	5.3	100.0	73,371	12.4	100.0
Not reported	206,355	0.8					91,160	0.10				

SOURCE: (1) New York State Department of Commerce, Business Fact Book, 1957.

(2) Sales Management, Survey of Buying Power, May, 1959

Personal Income & Housing Demand

The continuous growth in personal consumption expenditures has been reflected in an unprecedented wave of home buying and a consequent rearrangement of residential patterns. The proportion of all non-farm families owning homes increased from 44% in 1949 to 58% in early 1959, with the number of home-owners rising from 20 to 29 million. The recent rise in home ownership was concentrated largely among families with incomes of $5,000 or more. In early 1957, 79% of all of the non-farm households with incomes of $7,500 or more and 64% of those with incomes of $5,000 - $7,499 were home owners. Accompanying this growth in home ownership there has been a decline in the proportion of all households renting or living with relatives. The number of persons in the United States renting their living quarters increased from 17.4 million to 18.4 million from 1949 to 1959 and those living with relatives declined from 6.6 million in 1949 to about 4 million in 1959. Ownership of homes is more frequent among families of all age-groups except those under 25 years. From early 1949 to early 1959, the proportion of home owners increased 80% among families between the ages of 25 and 34 in 1949 and even increased significantly for those in the age-group of 55-64 in 1949.(1)

This tremendous increase in home ownership has been due in large measure not only to the high level of business prosperity typical of the post-war period but, also, to the programs of the federal government designed to foster and encourage home ownership. To what degree the central cities of metropolitan areas owe their decay and declining importance to the easy financing terms of the F.H.A. and V.A. mortgage programs it would be difficult to say but it is certain that their influence was not inconsiderable. There can be no question that the rapid rate of suburbanization during the past fifteen years was primarily due to such liberal lending policies designed to promote single-family residential construction.

Metropolitan Employment

Employment in the New York-Northeastern New Jersey Standard Metropolitan Area has been rising constantly in the past decade. Projections into the next quarter century indicate a steady increase in the numbers employed in this SMA.(2) This growth has not, in recent years, occurred in all sections of the S.M.A. nor is it expected to do so in the future. In fact, in some sections, such as New York City, employment has declined at times or has increased only slightly. In some central core areas, such as Manhattan, it has decreased significantly. It can be readily assumed that this is a trend which is almost certain to continue.

(1) Federal Reserve Bulletin, June, 1957 and September, 1959
(2) Regional Plan Assn., People, Jobs and Land, 1955-1975, pg. 42

TABLE 16

EMPLOYMENT IN NEW YORK CITY & NEW YORK COUNTY

1942 THROUGH 1955 & FORECASTS FOR 1960, 1965, 1970 & 1975

(In Thousands)

	1942	1945	1947	1950	1955	1960	1965	1970	1975
N.Y. City	3,387	3,383	3,813	3,845	3,839	3,815	3,835	3,870	3,930
N.Y. County	--	--	--	2,571	2,518	2,430	2,370	2,320	2,280

SOURCE: Regional Plan Association, PEOPLE, JOBS & LAND 1955-1975. Regional Plan Bulletin No. 87, June, 1957.

In the 1947-1954 period, Manhattan lost 113,000 jobs, representing a decrease of 4.3% in spite of the fact that employment figures for New York City rose in these same years by 14.3% (Table 17). New York City's declining employment since this time can be accounted for by the sharp increases in the number of persons working in Nassau, Suffolk and Westchester Counties. Since 1954, the entire City of New York suffered a set-back in employment with a loss of 314,300 or 8.1% by June of 1959. This decline cannot be attributed to the business recession of 1957-1958 because recovery was general throughout the United States by February of 1959 when manufacturing activity reached a new high. Manufacturing activity in June, 1959, just prior to the start of the steel strike, was up from the pre-recession peak by 1.5% in New York State(1). Rather, this downward trend is due to the movement of job opportunities from New York City to other areas.

Not all classes of industry have shown declines in employment to the same extent or at the same rate. For example, employment in manufacturing throughout the Standard Metropolitan Area has generally fared better than has that in either retail or wholesale trade. By contrast, the employment in the service trades has shown phenomenal growth. Estimates of New York City's declining employment in nearly all categories have been further substantiated by data gathered from firms whose employees are covered by the Old-age and Survivors Insurance Law. These data reveal gains in only two classes of employment: transportation and public utilities and services (Table 20).

The suburbanization of our cities occurred concurrently with the decentralization of industry and, to a considerable extent, of retail trade. The movement of the manufacturing industry alone has had an almost revolutionary effect on the structure of cities, vacating as it did the plants in the central cities and shifting the labor market for production workers to the suburban and rural areas not only in the out-lying sections surrounding those central cities but, in many instances, to other parts of the country. Every large metro-

(1) New York State Dept.of Commerce, Commerce Review, Vol. 13, No. 9, September, 1959.

TABLE 17

EMPLOYMENT IN SELECTED AREAS OF THE NEW YORK-NORTHEASTERN NEW JERSEY STANDARD METROPOLITAN AREA: 1947 - 1954

	STANDARD METROPOLITAN AREA				NEW YORK CITY			
	1947	1954	Change(1)		1947	1954	Change(1)	
			Number	Per Cent			Number	Per Cent
Total Employment*	5,314,794*	5,650,000	335,206	6.3	3,276,624*	3,748,000	471,376	14.4
Manufacturing	1,604,184	1,731,977	127,793	8.0	940,235	947,847	7,612	0.8
Trade**								
Wholesale	383,214	387,976	4,762	1.2	326,131	302,847	- 23,284	- 7.1
Retail	708,209	800,567	92,358	13.0	538,057	490,097	- 47,960	- 8.9
Selected Service Trades	282,484	434,023	151,539	53.6	209,822	321,255	111,433	53.1

NOTE: Figures based on location of the establishment providing the employment.

* Total employment figures are for 1960.

** Trade employment data are for the years 1948 & 1954 and includes both employees and active proprietors of unincorporated businesses in November of each year.

(1) Computed from data shown here.

(2) Computed from data in Census of Business 1947 & 1954.

SOURCE: New York State Department of Commerce, Business Fact Book, 1957
County & City Data Book, 1949, U.S. Bureau of the Census.
U.S. Department of Commerce, Census of Business, 1954
Regional Plan Assn., People, Jobs & Land, 1955-1975

NEW YORK COUNTY				OUTSIDE RING OF S.M.A.			
1947	1954	Change		1947	1954	Change	
		Number	Per Cent			Number	Per Cent
2,571,000*	2,458,000	-113,000	-4.4	-	-	-	-
562,540	523,432	- 39,108	-7.0	534,311	652,162	117,851	+22.1
265,934	235,396	- 30,538	-11.5	30,662	59,730	29,068	94.8
286,804	251,666	- 35,138	-12.3	126,179	186,539	60,360	47.8
124,032	220,431	+ 96,399	+77.7	54,845	91,455	36,610	66.8

politan area experienced in varying degrees this loss of residents employed by the manufacturing industries in the central cities while showing a growth in residents engaged in manufacturing in the peripheral areas.(1) This employment shift was largely among production workers. As the manufacturing industries moved production out of the central cities, they retained their nation-wide managerial functions and executive offices in the downtown areas. Many firms that had operated their offices in conjunction with factories located in the small towns of New England and other parts of the nation established management offices in the large cities. New York City, particularly Manhattan, has been the beneficiary of many such changes. Among others, Lever Brothers, Inc., moved their executive offices from Cambridge, Mass. to New York; Colgate-Palmolive Company moved similarly from Jersey City, New Jersey. In many instances, executive offices were expanded and enlarged to occupy several floors of huge office buildings. In several instances entire buildings were constructed to house the national headquarters of large corporations. Prosperity, corporate income-tax positions, and the desire for prestige contributed to an intensification of the demand for office space and office workers, and helped to change the employment patterns of these large cities.

Manufacturing Employment

The manufacturing industries have for decades provided a very large proportion of the residents of New York City with the means of paying for their daily bread as well as their housing. The manufacturing industries have not in recent years been able to furnish as many jobs. Reflecting the general slow rate of manufacturing employment expansion for the state as a whole (1.0% over the 1947-1957 period), New York City's manufacturing employment in 1957 was estimated to be 70,000 less than the 1947 total, a decrease of 7%. In contrast, the suburban counties surrounding New York City were the most rapidly growing areas in New York State in manufacturing employment. The Nassau-Suffolk area experienced an increase of 67,000 (173%) in estimated manufacturing employment from 1947 to 1957. Westchester County's manufacturing employment is estimated to have risen by 10,000 or 23% in the same period.(2) This would certainly indicate a continuation of the movement of manufacturing from the central city, particularly the core. The statistics are even more dramatic in New Jersey where manufacturing employment gains have been very substantial.

Notwithstanding the fact that the Standard Metropolitan Area, as a whole, still has approximately 30% of its total employment in manufacturing with a continuing growth in the number of manufacturing jobs, New York City and Manhattan both have seen the proportion of jobs in manufacturing decline (Tables 17 & 20). New York City increased its manufacturing employment by only 7,612 jobs (0.8%) in the 1947-1954 period and in the years following actually lost 18,347 jobs for a decrease of almost 2% by June of 1959 (Tables 17 & 19).

(1) Hebard, op. cit., pp. 323-333
(2) New York State Dept. of Commerce, Commerce Review, Vol. 13, No. 9, September, 1959, pg. 6.

TABLE 18

EMPLOYMENT IN NEW YORK CITY: FIRST SIX MONTHS AVERAGE 1958 & 1959, & THE MONTH OF JUNE, 1958 & 1959

Employment	Weekly Average June 1958	June 1959	% Change	First Six Months 1958	1959	% Change
Employment, Total Wage & Salary Earners[1]	3,421,200	3,440,000	+0.5	3,435,400	3,433,700	--
Manufacturing	904,000	916,900	+1.4	933,000	929,500	-0.4
Trade	731,900	732,800	+0.1	734,000	726,900	-1.0
Wholesale	299,700	299,200	-0.2	303,700	300,400	-1.1
Retail	432,200	433,600	+0.3	430,300	426,500	-0.9
Selected Service Trades	567,000	572,300	+0.9	565,100	569,400	+0.8

1 -Employment industry classifications for 1958 and 1959 were revised in accordance with new Standard Industrial Classification Manual of the Federal Government. Employment statistics antedating 1958 are no longer strictly comparable with current data.

SOURCE: New York City Department of Commerce & Public Events, HIGHLIGHTS, July-August, 1959, Vol. III, No. 6.

TABLE 19

CHANGE IN EMPLOYMENT IN NEW YORK CITY: 1954 - Average for First Six Months 1959

	NUMBER	PER CENT
Total Employment	- 314,000	- 8.1
Manufacturing	- 18,347	- 1.9
Wholesale Trade	- 2,445	- 0.8
Retail Trade	- 63,597	- 12.9
Selected Service Trades	105,245	32.7

SOURCE: Computed from data in Table 18.

TABLE 20

EMPLOYMENT COVERED BY OLD-AGE & SURVIVORS INSURANCE LAW

MARCH, 1953 & MARCH, 1958, NEW YORK CITY

	Number March, 1953	Number March, 1958
Manufacturing	1,070,069	946,324
Mining*	4,086	1,869
Contract Construction	106,161	94,324
Transportation, Public Utilities	247,095	293,648
Wholesale Trade	343,589	295,784
Retail Trade	461,637	407,365
Finance, Real Estate, Insurance	347,098	346,000
Services & Miscellaneous	393,647	400,244
Unclassified	29,102	9,265
Total:	3,002,484	2,793,864

* Mining Companies having headquarters in New York City

SOURCE: New York State Labor Dept., Division of Employment.
New York State Dept. of Commerce, Business Fact Book 1957.

Manhattan, at the same time, was experiencing an even worse fate, for manufacturing employment dropped 11.4% for a loss of 30,538 jobs in this borough between 1947 and 1954 (Table 17). In line with the decreasing employment in manufacturing throughout New York City, it can almost certainly be concluded that Manhattan, which continuously suffered proportionately higher losses, has, since 1954, been losing still additional numbers of manufacturing job opportunities. In 1947, Manhattan had accounted for 35% of all the manufacturing employment in the Standard Metropolitan Area. By 1954 its share had fallen to 30%, thus revealing the movement of manufacturing employment into other districts.

Retail Trade

Long the most important city in the United States with respect to trade, New York City has been subjected to a new phase in the evolution of metropolitan communities. Common to all cities, this is a phase which followed closely on the heels of the "explosion" of population into the suburbs and the almost universal adoption by the American people of the automobile as their favorite means of transportation, out of which developed a new pattern of living geared to the suburban shopping center.

As a consequence of the long post-war period of high prosperity, a widespread desire for a higher standard of living, and the pent-up demand for goods resulting from the war-induced scarcities, retail trade expanded tremendously everywhere in the country. Most of the growth of retail outlets occurred in suburban areas to the detriment of the older, existing downtown shopping centers. Along with change in location and merchandizing methods, the retail stores tended to become fewer in number and larger in size of structure and employment.

The New York-Northeastern New Jersey S.M.A. reflected this trend with a substantial decrease in number of retail establishments from 171,105 in 1948 to 158,445 in 1954[1] but with a 13.4% increase in employment (Table 17). New York City, in company with all other large cities, witnessed the flight of consumers to the suburbs with retail business close behind. The natural result was a declining number of retail outlets in the downtown areas and less employment in retailing. During the 1948-1954 period, New York City's retail employment dropped by 47,960 or nearly 9%. Manhattan lost 35,138 of these jobs for a 12.2% decrease; at the same time the suburban areas in the metropolitan ring gained 60,360 (47.8%) retail jobs (Table 17). The next five years brought a further decline of 63,597 in retail employment in New York City (Table 19).

Preliminary results of the 1958 Census of business conducted by the U.S. Census, just released, show substantial retail sales gains in the peripheral boroughs and the suburbs (Table 20A).

(1) New York State Department of Commerce, Business Fact Book, 1950 and 1957.

The following table gives the percentage increases in total retail sales in 1954 as compared with 1948, in 1958, as compared with 1954, and in 1958 as compared with 1948. In the last three columns the receipts used have been adjusted to the purchasing power of a constant dollar, the 1958 dollar.

TABLE 20A
RETAIL GAINS

	IN DOLLAR RECEIPTS			IN PHYSICAL QUANTITY		
	1948-54	1954-58	1948-58	1948-54	1954-58	1948-58
New York City	13	7	19	5	0	6
N.Y.C. & suburbs in New York State	22	12	36	14	12	19
Manhattan	8	7	15	0	0	0
Bronx	11	9	21	4	2	5
Brooklyn	11	7	17	3	14	2
Queens	32	6	40	23	0	19
Richmond	27	14	44	18	6	26
Westchester	39	19	66	29	16	44
Rockland	53	23	88	42	15	63
Nassau	103	31	178	97	23	139
Suffolk	86	42	156	69	32	112

SOURCE: Preliminary Census of Business, 1959, U.S. Bureau of the Census.

The outlying counties gained at a higher rate than the peripheral boroughs, as is to be expected from the residential decentralization and the increasing popularity of the automobile.

The surprising and encouraging fact is Manhattan's ability, as the core area to increase its dollar volume in the 1948-1958 period about 15%, and, after adjusting for inflation, to have held its own. Considering that Manhattan has lost the most households with children of middle income, and in some instances is the most difficult area to reach by transportation, its capacity to sustain its retail sales volume is an excellent affirmation of its drawing power. Probably the variety of merchandise in every price range, plus the specialty items not ordinarily obtainable in the suburbs, are primarily responsible for its showing. It is clear, however, that there is no real growth prospect for retail sales volume in Manhattan. As previously pointed out, the number of retail employees in New York City has been declining steadily since 1947, with Manhattan experiencing a greater loss than the City as a whole. Nevertheless, there is an important place for retailing in Manhattan's future. About 250,000 people are employed in the field. The quality of Manhattan's stores draw people from distances far beyond a normal trading area as well as assisting in promoting tourist trade.

Wholesale Trade Employment

In the past, wholesale trade made New York City the leading distributing market of the United States and added much to its vitality and economic strength. Recent employment changes give evidence of a weakening of wholesale trade's contribution to the City's economic health and possibly even that of the S.M.A. During the 1947-1954 period, employment in wholesale trade rose by only 4,762 or 1.2% in the entire New York-Northeastern New Jersey S.M.A. This represents a net gain in a period which brought an 8.9% loss in wholesale trade employment to New York City with comparable losses to the other two central cities of Newark and Jersey City. Manhattan's loss was even more severe. In this downtown section there was a decrease of 30,538 jobs (11.4%) in wholesaling. Only 9.6% of Manhattan's total employment was to be found in wholesale trade in 1954 as compared to 10.3% in 1948.

The loss in Manhattan's employment opportunities resulting from the decline of wholesale and retail trade amounted to an aggregate of 65,671 jobs in the six years from 1948 to 1954. New York City's employment presented an even gloomier picture with a loss of 71,244 for the same reason in this same period and continuing losses in the next five years brought a further decline of 66,044 jobs by June 1959 (Tables 17 & 19).

Service Trades

As a partial off-set to the losses in employment in manufacturing and trade, the service trades made substantial gains in employment. Not only was this true of the S.M.A. as a whole with a gain of nearly 54% in the years from 1948 to 1954 representing a numerical increase of 151,539 in employment in the various service trades, but New York City experienced a growth in this employment category of 11,433 for a 5.4% increase in this same period. Over 60% of the total S.M.A. increase in service employment occurred in Manhattan where there was a gain of 96,399 jobs, representing an increase of 77.7% over 1947 (Table 17). This addition of 96,399 helped immeasurably in wiping out the loss in employment arising from the decline in manufacturing and trade which had amounted to a total of 104,784. This favorable employment trend has continued to the present. During the succeeding five years to date employment in service trades in New York City rose by another 105,245 jobs 33% gain over 1954 (Table 19).

By 1954 the employment in service trades represented about 9% of the Borough's total employment in contrast to the approximately 5% in 1948. Manhattan's employment in service trades in 1954 represented approximately 51% of all such employment in the S.M.A. Service trades pay relatively low wages. Thus the employment increase in this category has been partially responsible for the increase in the number of workers earning less than middle income wages.

Water-borne Trade Activity

With one of the best deep water harbors in the world, the Port of New York has been the primary source of the metropolitan area's economic prosperity ever since the first settlement was established in the 17th century on the tip of Manhattan Island. The Port's activities afford direct employment to approximately 430,000 persons who receive $2 billion in wages and salaries, according to estimates of the Port of New York Authority(1). When all the jobs in other industries which provide services required by these workers are considered, it is generally held that the Port directly and indirectly supports one out of every four people residing in the Port Area. It is the chief American gateway through which flows passengers and goods from and to this country.

In the postwar period, the growth of water-borne trade in the New York Port has not been as rapid as other ports, or of the nation as a whole. The Port's share of the nation's foreign and coastwise traffic in this period has declined as follows:

TABLE 20B
PERCENTAGE OF NATIONAL TOTAL(2)
(based on tonnage)

	Foreign Water-borne	Coastwise
1947-1953	16.9	29.2
1954-1957	13.4	27.1

In 1957, the Port handled 25% of the country's tonnage of ocean-borne foreign trade in general cargoes and 10% of bulk cargoes as compared with 34% and 16%, respectively, in the 1954-1953 period. On the basis of value, 38% of all water-borne foreign commerce of the nation passed through the Port in 1957, in contrast to 45% in the years of 1958 to 1953. The ocean-borne foreign trade coming through the Port decreased again in 1958, from the 38,436,250 long tons in 1957 to 37,814,420. This decline was due entirely to a drop in exports while the amount of imports rose. At the same time, the value of the tonnage fell to $8,503,620,100 as compared to $8,727,100,000 in 1957.(3) This decline is due to several factors. Other ports in sections of the country enjoying rapid growth and industrial expansion have experienced exceptional growth. The opening of the St. Lawrence Seaway in 1959 created another source of competition for the Port of New York. Conservative estimates made by Port of New York Authority indicate that

(1) N.Y. State Dept. of Commerce, Commerce Review, Vol. 13, No. 6, June, 1959, pg. 1.
(2) Commerce Review, Vol. 13, No. 6, June, 1959.
(3) N.Y. City Dept. of Commerce & Public Events, Statistical Guide, 1958 & 1959.

eventually this waterway may divert one to one-and-a half million tons of trade from New York's total of 40 million tons of ocean-borne foreign trade a year.(1) Labor troubles have contributed further to the declining competitive position of the Port.

The Port of New York remains the leading port in the country in handling water-borne passenger traffic with foreign countries. In each of the past two years, seven out of every ten persons traveling by ship between the United States and foreign countries passed through the port, according to the U.S. Department of Justice.(1) During 1958, 895,000 persons sailed in ships berthed at the Port and 1,667,000 airline passengers overseas traveled by way of New York, representing 44% of the national total.

Although the Port of New York has embarked upon an extensive program of modernization and rehabilitation of existing piers, facilities, and equipment, there is little question that the traffic passing through the Port of New York will decline further in the face of anticipated keener competition from other ports.

Thus, although port activity is a major contributor to Manhattan's economy, its relative importance is expected to decline moderately in ensuing decades.

Other Factors

For many years, New York City has been a popular tourist attraction and recently agressive compaigning on the part of business associations has built up the tourist and convention trade. It is estimated that approximately 11 million business and tourist visitors and 3 million delegates to conventions spend $1 billion annually in New York. By this means Manhattan has been able to maintain a higher level of retail and service sales than would otherwise be possible. The visitors spend 26% of their money at retail stores, 23% at the hotels, 18% at restaurants and 19% for sightseeing, theatres, and other amusements.(2) The large department stores and specialty shops are the main points of interest for the visitors.

New York City enjoys the reputation of being one of the leading cultural centers of the world with some of the finest universities, libraries, museums, and musical institutions. In 1957, there were 41 institutions of higher learning in New York City with a total enrollment of approximately 220,000 students in October, 1958.

Of Manhattan's total employed labor force of 884,362 persons in 1950, 3% was employed in educational services.(3) As a center of the legitimate theatre, New York City has 32 playhouses in the Broadway district and 24 "off-Broadway". The seasons grosses for

(1) Commerce Review, Vol. 13, No. 6, June, 1959.
(2) New York City Dept. of Commerce & Public Events, Statistical Guide, 1959.
(3) N.Y. State Dept. of Commerce, Business Fact Book, 1957.

the Broadway playhouses amounted to $37,515,300 in 1957-1958 and $40,151,300 in 1958-1959.(1) Approximately 2.4% of all employed persons in Manhattan in 1950(2) were receiving their pay from the entertainment and recreation field in some way.

New York City has some of the finest museums in the world with 26 located in Manhattan, attracting thousands of visitors every year. It also is the location of excellent medical facilities to which people come from all over the world. In 1950, 5% of all Manhattan's employed persons were engaged in the medical services.

That New York City and particularly Manhattan will continue to be important in these cultural, educational and medical services is certain. Visitors will find it desirable to come to Manhattan to enjoy them. If the World's Fair is held in New York City in 1964 this should bring an added stimulus for many years to come and to some extent should off-set losses in manufacturing and the retail-wholesale trade resulting from the out-migration of residents.

(1) New York City Department of Commerce & Public Events, Statistical Guide, 1959.
(2) New York State Department of Commerce, Business Fact Book, 1957.

Occupation of Manhattan's Residents

An examination of data concerned with the occupational patterns of residents of the New York-Northeastern New Jersey S.M.A. reveals many recent changes. It becomes apparent that greater numbers of those residing in the S.M.A. are earning their livelihood in the manufacturing industries (Table 21). The suburbs especially disclose a tendency toward increasingly higher proportions of their residents occupied by manufacturing industries, thus confirming the opinion that manufacturing employees are following the factories to the suburbs. Of all those employed in manufacturing in the S.M.A., the proportion rose from 32.9% in 1940 to 36.6% in 1950. This same tendency was found among those employed in trade. People are working and living in the suburbs with greater frequency.

Where do the people who live in New York City work? There were 170,445 or 23% more of New York City's residents occupied in manufacturing in 1950 than there were in 1940 with the result that 28% of all employed persons residing in the City in 1950 depended on manufacturing industries for their wages and salaries. Similar changes occurred in the ranks of wholesale and retail trade employees. These changes were possible in the face of increasing numbers of suburban residents employed in trade and manufacturing, because of the increasing numbers of operatives and skilled employees engaged in the needle trades remaining in the City. Generally they were in the lower wage levels and invariably found living accommodations in low-rent housing in the City. The increase in residents employed in manufacturing was largely among the Puerto Rican and Negro groups coming to the City from other places. As for the larger share of the total employment represented by the manufacturing and trade groups of residents, this was accounted for principally by the declining over-all population (Table 21) and decreasing proportion of other classes.

As for Manhattan's changing occupational pattern, a larger percentage of its employed residents in 1950 were engaged in manufacturing, public utilities, construction, and trade while fewer were engaged in finance, real estate, insurance and in the personal services. The total number of residents employed in Manhattan in 1940 was 783,564 and in 1950 the number was 884,362. This was a period in which employed proportion of those living in Manhattan rose from 41% in 1940 at the end of a period of depression to nearly 54%(1) in 1950 in the post-World War II business prosperity.

The percentage of Manhattan residents engaged in white-collar jobs grew from 44% in 1940 to nearly 48% in 1950. On the other hand, the number of craftsmen and foremen living in Manhattan declined from 10.5% in 1940 to 7.6% in 1950. Operatives and kindred workers became a more important segment among the residents in Manhattan by increasing from 16.1% proportion in 1940 to 19.5% in 1950.

(1) All percentages in this section are computed from data in various U.S. Census reports for 1940 and 1950.

TABLE 21

OCCUPATION OF EMPLOYED RESIDENTS IN NEW YORK-NORTHEASTERN NEW JERSEY STANDARD METROPOLITAN AREA: 1940 - 1950

Employed By Major Industry Group	STANDARD METROPOLITAN AREA						NEW YORK CITY					
	1940 Number	1950 Number	Change Number	Change Per Cent	% of Total 1940	% of Total 1950	1940 Number	1950 Number	Change Number	Change Per Cent	% of Total 1940	% of Total 1950
Total	4,421,255	5,314,794	893,539	20.2	100.0	100.0	2,839,355	3,276,624	437,258	15.4	100.0	100.0
Manufacturing	1,254,658	1,623,144	368,486	29.4	28.3	30.5	746,466	916,911	170,445	22.8	26.2	27.9
Wholesale and Retail Trade	896,725	1,130,094	233,369	26.0	20.2	21.2	621,757	755,817	134,060	21.5	21.8	23.6
Finance, Insurance & Real Estate	330,555	362,687	32,132	9.7	7.4	6.8	224,460	242,666	18,206	8.1	7.8	7.4
% of Total Employment	100.0	100.0					70.4	67.4				
% of Total Mfg. Employment	100.0	100.0					67.1	63.4				
% of Wholesale & Retail Trade Total Employment	100.0	100.0					75.3	72.3				
% of Total Employment in Finance, Insurance & Real Estate	100.0	100.0					73.1	72.0				

NOTE: These statistics are based on the worker's place of residence; employment data based on location of employer's establishment are found in Table 17 of this report.

SOURCE: U.S. Census, 1950. Hebard, op. cit., pp. 327 & 332.

TABLE 22
PERCENTAGE DISTRIBUTION OF OCCUPATIONS OF EMPLOYED RESIDENTS OF MANHATTAN: 1940-1950

	PERCENT OF TOTAL EMPLOYED	
	1940	1950
Total Employed	100.0	100.0
Mining	0.1	--
Manufacturing	18.5	24.0
Construction	2.5	2.9
Transportation & Public Utilities	6.3	7.7
Wholesale & Retail Trade	20.5	22.9
Finance, Real Estate & Insurance	8.4	7.8
Services & Miscellaneous	41.2	34.5
Unclassified	2.2	--

SOURCE: New York State Department of Commerce, Business Fact Book 1957. U.S. Dept. of Commerce, Bureau of the Census, "Employed Workers 14 Years Old and Over By Industry Group for Cities of 100,000 or More: 1940, Series P-10, No.19 July 16, 1942.

Manhattan Office Employment

The size and the importance of the office building industry in Manhattan is perhaps best illustrated by the fact that 31 out of 70 national corporations with assets of a billion dollars or more are located in Manhattan; most of the others have branches here. In 1956 New York had about 1,100,000 office workers. In 1960, the figure is expected to increase to 1,300,000 as close to 40,000,000 square feet of space will have been added to the office inventory This will mean a 33% increase in the city's inventory of office space, from 120 million to 160 million square feet, in the post World War II era. Almost all of this increase has been in Manhattan. Conservatively, it has meant an increase of 500,000 in office jobs since the end of the second world war. About 30% of Manhattan's total assessed valuation is in office buildings, eloquent testimony to the importance of commerce to Manhattan's vitality.

An interesting correlation has emerged in Manhattan in the last 12 years. While office employment and construction has been steadily growing, residential population has been declining. Many residential hotels and apartments have been demolished to provide office sites. Many others are scheduled for demolition. In the process many thousands of fine dwelling units have been lost to the housing inventory.

The growth of the financial and banking industry in Manhattan has been a major contributor to office employment. In 1956, there were 130,000 office employees in the Wall Street financial area. Growth in branch banking has increased the number in Manhattan from a handful at the turn of the century to 250 or so today, of which about 175 are between Chambers Street and 59th Street. Manhattan in 1956 had 2/3's of the metropolitan area's total of 311,000 persons in the financial, insurance and banking fields. It is felt that this figure may have gone slightly higher at this time despite the urbanization of the suburbs.

Office workers as a percentage of the total national labor force have been increasing in the post World War II era. Manhattan figures, however, exceed the national growth rate.

Real Estate Market Factors

The decline in manufacturing and other employment in Manhattan finds expression in the character of the related real estate markets. Despite an expanding national economy which has seen our gross national product rise from less than 300 billion to close to 500 billion dollars in a decade, loft and manufacturing construction in Manhattan has been negligible. Manhattan has 6,272 loft buildings, both of the manufacturing and non-manufacturing type, 92½% of the city's total. Based on a recent sampling of 853 competitive loft buildings containing 81,632,042 square feet, there was a vacancy of 3%. Manufacturing industries have been gradually withdrawing from Manhattan and the expansion of the remaining companies has been insufficient to fill the vacated space. A clue to the poor state of the Manhattan industrial market is in the low level of rents. Fireproof, sprinklered upper floor space is readily available at $1.00 a square foot. The garment industry has been the bellwether for the Manhattan industrial market. Its close to 300,000 employees represent almost one third of New York City industrial workers.

Further evidence of the changing internal structure of Manhattan is found in the office building market. In strong contrast to the sorry record of the manufacturing industries, the office building market has experienced a boom of a magnitude not considered possible. In the last 12 years, 98 office buildings have been completed containing a total of 28,497,000 square feet of space renting between $5.00 and $7.50 per square foot. Fully 12,000,000 additional square feet is planned, principally in the Grand Central and Plaza districts, for 1960 completion.

Despite this unprecedented new construction, office vacancies currently are only 2.5%, according to a survey made in April, 1959 by the Real Estate Board of New York, Inc.

Manhattan has thus effectively reaffirmed its dominance as the financial and office headquarters of the world. The threat of widespread commercial (office) decentralization to the suburbs has been thwarted. Large companies as Union Carbide & Carbon, Time & Life, General Electric and others have decided against suburban locations and instead elected to erect new buildings, or remain in their present buildings. Manhattan has increased greatly its numbers of clerical, administrative and sales workers at the same time its manufacturing employment has declined.

Can we explain precisely the motivations behind the office building boom? First, the national corporations decided that Manhattan had the best locational advantages for commercial use. Its transportation is unsurpassed anywhere. As a financial and professional center, business could readily draw on the talents of specialists in every field. When remote suburban locations are considered by contrast, it is obvious that commerce must exist together, in close proximity to competitors, consultants, suppliers and supporting facilities.

Second, the boom is closely associated with the growth of the economy. Our gross national product has increased over 60% in the last decade and corporate employment has grown with it. Manhattan employment figures reflect this growth.

Third, prosperity has permitted an expansion in the square foot area of space per employee. With rent a tax deductible item in which the federal government assumes 52% of the bill, corporations have been inclined to increase the amount of business space for clerical workers and executives alike. This helps to explain the volume of successful new office building construction.

The net result has been to solidify Manhattan's position as the commercial center of the world. It has also eased the employment problem created by the decline in almost every category except service, clerical and administrative employment.

Economic Factors and Housing Demand

What applicability do the foregoing facts and observations have to the Manhattan housing market?

It must be concluded that under existing conditions Manhattan's housing market demand will probably continue at its present rate, or decline slightly, in the immediate future. Why?

First, we have presented figures evidencing declines in both population and households in Manhattan. These declines are expected to continue although at a decelerated rate. Certainly this weakens the quantity of demand.

Qualitatively, demand is also weakening. The in-migration of Puerto Ricans and non-whites has increased their proportion of the total Manhattan population to 40%. Most of these wage earners are in low paying service and laboring jobs which do not permit them to pay economic rent for new housing. Furthermore, their proportion is expected to reach 65% of the total population by 1970.

Employment categories tend to show declines or stability in Manhattan except for the increases in service and white-collar workers. Service workers cannot afford economic rents; office workers tend to reside in peripheral boroughs or the suburbs, especially those with children. The loss in certain classes of employment is not a recent development. Manhattan has been losing grouin in employment since 1940. There is nothing in the structure of Manhattan to suggest that the trend will be reversed, although we may anticipate a levelling in the decline. It is difficult to visualize an improving residential market in the immediate future in the face of the factors enumerated.

One of the unfortunate aspects is the inability of the "plus" economic factors to aid to a greater extent the Manhattan housing market. For example, the contribution which the office building boom has made to Manhattan's economy vitality can scarcely be measured. Increases in Manhattan tax revenues and jobs provides a significant boost to the economy and to the municipality. The effect of this, however, on the Manhattan housing market, while undoubtedly salutary, has nevertheless been disappointing.

Only the older and childless corporate supervisory employees of comparatively substantial incomes, possibly $12,000 or more, from the new and enlarged office forces, will tend to reside in Manhattan apartments. They in turn are only a fraction of the quantitative demand. The bulk of white-collar office employees with families, regardless of their income status, will continue to settle in private city peripheral or suburban dwellings or garden apartments where the amenities are regarded as superior. This pattern of residential living is not likely to be reversed. The bulk of the housing market will be low income families, engaged in the various service industries, in the $2,000 to $7,000 income range. Islands of good housing, as on the East Side, Murray Hill and Lower Fifth Avenue, will continue to exist profitably but it is difficult to conceive of any substantial upgrading of sections other than well located and well planned Title I sites. There is a sufficient supply of good housing and sites in the established sections so that a major portion of the quality segment of the demand can be satisfied.

Loss of the skilled craftsman and foreman hurts the Manhattan housing market as these substantial income earners tended formerly to reside in the core area. This type is among the many leaving the heart of the central residential sections of the city for environmental or employment reasons.

Effect of Residential Decentralization

Not to be minimized is the phenomenon of residential decentralization, in which the family moves to the periphery or the suburbs and the wage earner commutes to his same job in the core area. The excellent rapid transit and commuter railroad service in the New York S.M.A. make this a logical step. A study of the origin of buyers of suburban houses has found that not only are substantial numbers of them from the central city areas but also that they plan to commute to their same place of employment.

To no lesser extent, the sound sections in the peripheral boroughs are the beneficiaries of the trend away from the Manhattan market. Riverdale in the north Bronx; Inwood in north Manhattan; Rego Park, Forest Hills, Kew Gardens, Flushing, Whitestone and Queens Village in Queens; Ocean Parkway, Bay Ridge and Sheepshead Bay in Brooklyn and, ultimately, Richmond - all have experienced a significant volume of conventionally financed and F.H.A. type rental and cooperative multiple housing as well as private dwellings. Wage earners of these relocated households tend to continue in their same place of employment and commute by train or subway or car to work. The build-up of available vacant land in peripheral city areas siphons off more qualitative demand and leaves the central core area to those households least able to pay economic rent. Thus, blight and decay continue. Without remedial action, the outlook is serious indeed.

V. THE CHANGING COMPOSITION OF DEMAND:

Conclusions on the future shape and substance of the Manhattan housing market may only be formed by analyzing significant changes in demand that have occurred in the post World War II era. These conclusions have been drawn not only from a study of statistical material but from field study of actual market conditions. One principal factor emerges from the mass of available data. The Manhattan housing market generally suffers by comparison with the housing market in the other boroughs. Statistics are frequently quoted on a city-wide basis, which tends to obscure and submerge the differences in the quality and quantity of Manhattan demand as compared to the other boroughs.

How may we summarize significant demand factors over the past decade and how do they affect the probable future course of demand in Manhattan?

Concept of Need Rather Than Demand

Traditionally, demand is effective only when desire is combined with the capacity to pay. Our historic concept of government and economics has been rooted in that belief. The acute decade-long depression of the 1930's brought somewhat of a change in historical attitudes. There emerged the conviction that it was a governmental responsibility to provide decent shelter for that pre-qualified segment of the populace unable to pay economic rent.

In the section on "Governmental Activity in Manhattan Housing" there will be discussed the extent to which this belief has grown in New York. As a city noted as a receptor for foreign migrants, the concept of a housing market based on need rather than capacity to pay as measured by demand, became more accepted than in any other urban area in the country. The economic forces previously discussed, population changes, an older housing stock, the continuance of restrictive rent controls, inadequate code enforcement - all have contributed to a long term policy of increasing municipal involvement in Manhattan housing. Housing is now measured almost completely on a need basis. The inability to pay for one's needs is met by more public housing on all three levels of government and more tax abated housing.

We forecast that 2/3's of Manhattan's housing over the next decade will be on a subsidized basis of some kind, whether public or privately sponsored. The intricate mechanism of supply-demand forces on a free market basis does not exist. A public utility concept for housing now prevails. Perhaps these changes have been inevitable. In any event, they are now deeply entrenched in our municipal thinking on housing. Among those families earning up to as much as $9,000., a growing feeling seems to exist that the local government owes them (and they deserve) some form of subsidized housing aid.

Future Demand Forces

Manhattan must face a continuance of quantitative demand with a weak capacity to pay for a major portion of its new housing market over the next decade. Most families with children will be relatively low-income white and non-white households unable to pay new central city rents. Many sections of outlying boroughs will develop and grow at the expense of Manhattan. This competition from neighboring boroughs will help to provoke more Manhattan housing blight as well established Manhattan households move to better environmental conditions in outlying city sections. Those vacated units are generally re-occupied by households of lesser income, social, cultural and educational status.

As suburbanization and decentralization continues, the better job opportunities in peripheral areas will be taken by the more intelligent, better educated wage earners. Their vacated jobs and apartments will be filled, as before, with unskilled, uneducated in-migrants.

Smaller and older households will dominate the quality segment of the market. Median household size for those households paying economic rent will probably not exceed two persons: the low rent segment will probably be well over 3.5 persons. The demand for quality housing can probably be almost wholly met by private builders without the aid of Title I, as they have conclusively demonstrated in the mid-east and lower Fifth Avenue-Greenwich Village sections.

This conclusion, would be modified, however, if a somewhat different housing policy was adopted by the community. The so-called void in rents, between tax-aided housing and luxury-rent housing is an illusion created by rent control. In a free market this gap would be quickly filled and a wide range of new and used housing in every rent range would be available.

Even with our present dual market, partially free and partially controlled, the rental of every ten luxury apartments means that eight other apartments, frequently more modest accommodations, are available for other households. It is thus observed that the filtering process assists to make other apartments, new and old, available to others.

We foresee the distinct chance of a contra-cyclical tendency over the next decade towards a strong, widespread resurgence in Manhattan housing. As noted elsewhere, the market for housing can be broadened and extended if a wise policy of urban renewal is pursued. A purposeful program would be to create imaginatively designed, fully taxable housing in the central core area, with tax abated housing confined to outlying sections on less expensive land. Demand is not a wholly rigid phenomenon. It can be stimulated and enlarged by the imaginative use of the city's resources, namely, its central location, its dominance in culture and education, its port, its leadership in commerce and the excellence of its housing.

Suburbanization of the periphery has occurred so rapidly that a somewhat less than perfect pattern of land use and traffic flow exists in many communities. Older households with married children, families disillusioned by the poor planning job accomplished in peripheral areas, others attracted by the convenience of Manhattan and those attracted to it as the center of culture and education may provoke an upsurge in demand. This conceivably can happen despite political planning of Title I projects. The climate for it, however, would be immeasurably superior if Title I were used as a device to re-attract substantial people the heart of the city as a living place.

Case Study of an Urban Renewal Project

In an analysis of tenants applying for occupancy in a large, recently-constructed housing project on the west side of Manhattan completed during 1959,(1) many facts became apparent which may be said to be fairly typical of tenants in many of the new housing developments in the Manhattan core area. Among other things, it was disclosed that the average household size was 1.8 persons and the median size was 2.1 persons. The size of the apartments ranged from 2 rooms to 4½ rooms with rentals running from $96 to $132 for the 2-room apartment to $169-$208 for the 4½-room units with 39.2% of all apartments in the 2-room class and 38.9% in the 3-room and a total of approximately 700 units in the project.

(1) By personal communication with author. Source and name withheld upon request.

The average rent per room was $47 and per unit $141. 88% of the tenancy consisted of 1 or 2 person households.

Of the 700 families, 302 (43.3%) were married couples with the majority (236 or 33.8%) having no children; 336 (48.1%) were unrelated individuals; and 60 (8.6%) were family groups with various relationships. The median age for all household heads was 40.8 years with the highest percentage - 29.6% - in the 30-39 age-group, 20.8% in the 40-49 group, 18.3% and 18.1% respectively, in the 20-29 group and 50-59 group, 9.2% in the 60-69 year group, and 3.7% over 70 years of age.

The median income per household was $8,845. Of all the households, 42.3% received between $6,000-$10,000 (20.8% $6,000-$8,000 and 21.5% $8,000-$10,000). Only 2.5% received incomes of less than $4,000 while 37.4% of the households had annual incomes of $10,000 or higher with 7.4% above $16,000.

The greatest share (39.7%) of the heads of the households were engaged in some professional, technical and kindred type of occupation (including artists, authors, teachers, engineers, public relations, etc.). Other occupations represented were: managers, officials and proprietors 24.0%; clerical workers 17.5%; sales people 3.9%; craftsmen, foremen, etc. 3.0%; operatives and kindred workers 1.5%; service workers 4.8%; laborers 1.0%; and retired, etc. 4.6%. The location of their place of employment was largely scattered about Manhattan, although 16.9% were employed in the Metropolitan Area lying outside of New York City.

It was interesting to note that 43.1% of these tenants moved to the subject apartment building from residences within a one-mile radius, 26.1% came from somewhere in the rest of Manhattan, 4.0% from Brooklyn, 4.5% from Queens, 6.4% from the Bronx, 0.4% from Richmond (all being within New York City). Only 13.6% came from outside New York City - 7.5% from within the Metropolitan Region and 6.1% outside. Of the total number of households, 20.1% represented new households while the rest were households moving from some other dwelling unit. The median rent for the previously occupied dwellings was lower - $97 - than that for the new apartments with the previous rentals ranging from $25 to $350, and generally the new unit was larger than the former apartment.

It is thus apparent that housing demand consists of small households, with the majority working in Manhattan. The perhaps most interesting statistic is the 7.5% of new tenants from within the S.M.A. but outside New York City limits. This is at least some concrete evidence of the extent of the reverse household, migratory pattern, that is, those who have given up the suburbs for the central city areas. Certainly the amount of reverse migration is small compared to the residential decentralization previously described.

Another surprising fact is the relatively high incomes of the tenants. Not only is the project on the west side but it was sandwiched between a public housing project and a rapidly deteriorating residential section. For the project to attract such high income households with its locational deficiencies is a distinctly encouraging note. The extent to which renewal of this character may be successfully repeated is the question which must be resolved. As discussed previously, the qualitative segment of demand may be served by private initiative in established sections. Will this leave most urban renewal sites as primarily for tax abated housing?

The Cooperative Movement

The cooperative apartment has increased greatly in popularity over the post World War II period. 3,145 dwelling units of the luxury, conventionally financed type were constructed between 1947-1958 on the east side of Manhattan out of a total of about 37,800 private units through that date. Another 1,600 units are planned or under construction.

According to estimates from specialists in Manhattan luxury cooperatives, there are probably no more than 12,000 units of this type in the borough, or less than 2% of the existing housing stock. It is interesting to observe that their construction, however, constituted about 10% of the total new private construction market. Continuing business prosperity, accumulated savings, the desire for an exclusive environment and the tax savings have induced many households in high income brackets to purchase stock in cooperative corporations. The increase has been even greater, percentage-wise, than the new construction figures would indicate because there have been innumerable conversions of rent controlled buildings and hotels to cooperatives.

Unfortunately, no precise figures exist on the number of cooperative dwelling units that existed in 1947. It is believed, however, that conversions and new construction have more than doubled the number of luxury type cooperatives. The trend is expected to continue with further conventional cooperative growth expected. It will not, however, constitute a significant portion of the total market luxury cooperatives will be clustered on the east side; lower Fifth Avenue, Gramercy Park and Murray Hill, but are not expected to spread to any extent to other sections.

A concurrent growth in the F.H.A. type Title II, Section 213 cooperative in Manhattan is anticipated, particularly on Title I redevelopment sites. Statistics are not available on the amount of F.H.A. cooperatives built in Manhattan since the second World War. The number is known to be relatively small, with the majority of the construction concentrated in the other boroughs where land costs are less expensive.

No doubt a shortage of sites has been partially responsible. With increasing urban renewal activity, and with the increasing popularity

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No doubt a shortage of sites has been partially responsible. With increasing urban renewal activity, and with the increasing popularity

of cooperatives, a growth prospect seems a reasonable expectation. How extensive this growth will be is at the moment impossible to forecast.

THE SUPPLY OF MANHATTAN HOUSING

I. EXISTING HOUSING INVENTORY:

S.M.A. Housing Stock - 1950

In 1950, 85% of all dwelling units in New York State were to be found in the New York-Northeastern New Jersey Standard Metropolitan Area.(1) A great number of the metropolitan area's nearly 4 million units were aged and obsolete. Almost half of the dwelling units had been constructed prior to 1920 and only 12% were under 10 years old. About one-third of the housing was in buildings with 10 units or more. Nearly one-fourth were single-family detached homes. Rental housing was principally (78%) in medium-rent levels between $30. and $75. a month (Table 23), reflecting the restrictions of rent control.

In the same year, New York City counted 2,433,465 dwelling units in its housing inventory. This was an increase of 10% over the preceding decade, and a lower rate than the entire metropolitan area and other large cities in the United States. New York City's stock of housing tended to be substantially older than the metropolitan areas. Only 8% had been erected in the late 1940's during the first rush of the post-war building boom. Here nearly 3/4 (72.2%) of all units were located in 3 or more family dwellings. Consequently, there was a greater amount of dilapidation and slum housing in the City than elsewhere in the metropolitan area.

Manhattan's Housing Stock

In 1950, Manhattan had 635,944 dwelling units, an increase of only 18,571 units since the 1940 inventory was taken. It is interesting to note that this 3% increase represented one of the lowest rates for any large city in the country and by far the lowest of any of the five boroughs in the City. Most of the housing in 1950 was old, 71% of it was constructed prior to 1920 (Table 23). Practically all of it was in apartment buildings with only a few single-family residences. There were more apartments in the higher-rent brackets in Manhattan than in other parts of the S.M.A., and, also, a much greater proportion of low-rent units.

Since such a high percentage of Manhattan's housing was old, it could be expected that a correspondingly large part of it would be in a dilapidated condition. The Bureau of Census reported 10,979 or 18.5% of all dwellings to be in a dilapidated state in 1950.(2) This tended to support the usual correlation between age and dilapidation and the incidence of renters (as opposed to owners) and dilapidation.

(1) New York State Department of Commerce, Business Fact Book, 1957.
(2) U.S. Bureau of the Census, 1950 Census of Housing, Advance Reports Series HC-9, No. 2, October 8, 1952.

In New York City non-whites occupied 196,236 (8.3%) dwelling units in 1950. The proportion was twice as great in Manhattan with 104,900 units (16.8%) occupied by non-whites in 1950.(1) The percentage of non-white dwelling units has increased significantly in the past decade especially in the Borough of Manhattan, and is currently estimated at 130,000 units, or 22%.

TABLE 23
HOUSING INVENTORY FOR N.Y. N.E. NEW JERSEY S.M.A: 1950

	TOTAL NUMBER		PER CENT	Age of Buildings DISTRIBUTION BY YEAR BUILT			
	1940	1950	% Change	1940 or Later	1930-1939	1920-1929	1919 or Earlier
S.M.A.	3,421,913	3,953,876	12.0	12.2	11.8	29.3	46.7
N.Y. City	2,218,372	2,433,465	9.7	8.4	11.1	31.4	49.1
Manhattan	617,313	635,944	3.0	6.0	6.1	17.3	70.6

SOURCE: N.Y. State Dept. of Commerce, Business Fact Book, 1957.

TABLE 23A
HOUSING CHARACTERISTICS IN N.Y.-N.E. NEW JERSEY S.M.A: 1950

	TYPE OF STRUCTURE % DISTRIBUTION				RENTAL HOUSING % Reporting Specified Gross Rent			
	1 Family Detached	2 Family & Other 1 Family	3-9 Family	10 Family & More	Less Than $30.	$30.- $49.	$50.- $74.	$75. or more
S.M.A.	23.9	20.5	21.2	34.4	7.6	43.0	35.4	14.1
N.Y. City	8.1	19.7	22.4	49.8	7.4	44.1	34.6	13.9
Manhattan	0.3	2.3	14.0	83.4	13.8	40.0	25.2	20.9

SOURCE: N.Y. State Dept. of Commerce, Business Fact Book, 1957.

Changes in the Housing Inventory 1950-1956

By 1956, the N.Y.-N.E. New Jersey S.M.A. had added 925,000 units to its housing stock, which was then estimated at 4,631,000 dwelling units. A large number (444,000) of the new units were single family homes, although 332,000 were in multi-family structures. In this same six-year period non-white occupancy increased by 47%, most of this in housing formerly occupied by white households.(2)

(1) U.S. Bureau of the Census, 1956 National Housing Inventory "Components of Change 1950-1956, N.Y.-N.E. New Jersey S.M.A", Vol. I, Part 8, 1958.
(2) Paul F. Coe, "The Non-White Population Surge to our Cities", Land Economics, Vol. 34, No. 3, August, 1959, pg. 201.

TABLE 24
HOUSING INVENTORY IN NEW YORK CITY AND MANHATTAN
1950 - 1958

COUNTY	DWELLING UNITS						
	Total Inventory				Net Change		
	1950[a]	1956[b]	1957[b]	1958[b]	1956-57	1957-58	1950-58
New York County (Manhattan)	635,944	639,547	638,516	635,771*	-1,031	-2,745	- 173
Bronx County	432,259	454,966	457,760	459,989*	2,794	2,229	27,730
Kings County	814,134	834,874	842,446	847,076	7,572	4,630	32,942
Queens County	495,308	567,637	574,956	582,065	7,319	7,109	86,757
Richmond County	55,820	60,758	61,630	62,921	872	1,291	7,101
New York City	2,433,465	2,557,782	2,575,308	2,587,822*	17,526	12,514	154,357

* Revised
a U.S. Bureau of Census, Census of Housing, April 1, 1950.
b Sanborn Map Company, New York City, N.Y.
Note: Unlike the U.S. Census of Housing, the housing inventory data derived by the Sanborn Map Company is based on a count taken over a 12 month period rather than a single day. Each section and block of the city is surveyed on the date called for by a formal calendar. The 1958 city-wide inventory figure, therefore, is the summation of sub-area inventories made progressively between June, 1957 and May, 1958. Similarly, the 1957 and 1956 inventory is based on a count made between June, 1956 and May, 1957 and June, 1955 and May, 1956, respectively.

SOURCE: New York City Department of City Planning, February 9, 1959.

New York City has increased its housing inventory about 6% over 1950 by adding 154,357 dwelling units, for a total of 2,587,822 by 1958 (Table 24). Another 14,001 were added over the first 8 months of 1959.

From 1950 to 1958, Manhattan acquired 69,428 additional dwelling units through construction of new housing and the conversion of many existing dwellings and still sustained a net loss of 173 units from its housing inventory. This loss is almost entirely attributable to the demolition of old, dilapidated housing to make room for new developments plus some conversions to non-residential uses.

The picture of the Manhattan housing inventory is typical of large urban areas. Core housing is older, more structurally dilapidated and more obsolete than peripheral city or suburban housing. Similarly, peripheral

boroughs and the surrounding standard metropolitan area have added to their housing stock while Manhattan has not registered any gains over the last decade. Another typical characteristic is the dominance of the large rental housing unit in the core and the single family dwelling in the suburbs.

TABLE 25
ESTIMATED DOLLAR VOLUME OF NON-FARM RESIDENTIAL BUILDING PUT IN PLACE DURING YEAR IN UNITED STATES: 1947 - 1959

(In millions of dollars)

Year	Privately and Publicly Owned Combined	Privately Owned
1947	$ 7,735	$ 7,535
1948	10,278	10,122
1949	10,001	9,642
1950	14,445	14,100
1951	13,124	12,529
1952	13,496	12,842
1953	14,333	13,777
1954	15,715	15,379
1955	18,971*	18,705*
1956	17,969	17,677
1957	17,525	17,019
1958	18,893	18,047
1959	23,799*#	22,488*#

* All-time high
\# First seven months, seasonally adjusted.

SOURCE: Housing & Home Finance Agency, HOUSING STATISTICS, Historical Supplement, December, 1958, and September, 1959 issue.

II. NEW RESIDENTIAL CONSTRUCTION VOLUME:

National New Construction

From 1945 to 1959 activity in the construction of non-farm residential buildings proceeded at unprecedented velocity. The amount of money invested in non-farm residential construction in the United States almost tripled: from $7,735,000 invested in both privately and publicly-owned property the total rose to $18,893,000 in 1958. It is estimated that this figure will continue to mount to $23,000,000 in 1959. Most of this investment has been in privately-owned non-farm residences. Annual invested capital increased from

$7,535,000 in 1947 to a high of $18,705,000 in 1955 with still another new high of approximately 23,000,000 expected in 1959 (Table 25). Even though private non-residential construction, particularly industrial building, declined during the business recession of 1958 (-9.0%), the private non-farm residential construction continued to increase (4%) and with a further 10% increase estimated for 1959 when the non-residential construction activity is expected to drop another 3%.

This expenditure of dollars in residential construction has produced a record number of new non-farm dwelling units in this country. Since 1950, over a million dwelling units per year have been constructed, the overwhelming majority being by private ownership with about two-thirds of them each year located in metropolitan areas where the greatest increases in population have occurred. This trend has continued in the first seven months of 1959 for which there are statistical data (Table 26).

Most of the dwelling units (ranging from 1,194,400 in 1955 to 975,100 in 1958) have been single-family homes; but each year since 1956 there has been a substantial increase in the number of multi-family dwelling units (171,400 in 1958) (Table 27). Based on data available for the first seven months, there is every reason to believe that the rate of multi-family dwelling-unit construction in 1959 will be further accelerated. However, the current multiple housing construction rate is only about 15% of the total residential construction, in dwelling units. This is far less than the peak of 40% reached in the late 1920's when apartment housing attained its greatest popularity. The trend has definitely been to single family dwellings at the expense of the apartment unit.

S.M.A. New Construction

Much of the nation's housing construction has occurred in the metropolitan areas, with the concentration primarily in the suburban areas (Table 29). The New York-Northeastern New Jersey S.M.A. and Los Angeles S.M.A., in recent years, have been far in the lead in the production of housing (Table 28). In every year since 1954, a greater number and dollar volume of dwelling units was erected in the suburbs[1] of these standard metropolitan areas, although, in the case of the New York-Northeastern New Jersey S.M.A. at declining rates. The New York-Northeastern New Jersey S.M.A. led all metropolitan areas in homebuilding in 1958 with 84,200 new units, although this total included 9,600 units of public housing which contrasted markedly with Los Angeles' 120 public units. Practically all the New York metropolitan area's 1957-1958 increase in housing was due to apartment construction. The heavy concentration of new apartments in the central city areas was reflected in the declining percentage of suburban homebuilding in this area in 1958. At the same time, construction of rental-type housing expanded substantially in the suburbs, with larger apartment buildings being erected in both areas than was the case in 1957.[1]

(1) U.S. Dept. of Commerce & Dept. of Labor, Construction Review, No. 7, July, 1959.

TABLE 26

TOTAL PRIVATE & PUBLIC NON-FARM DWELLING UNITS STARTED DURING YEAR 1947-1959, IN UNITED STATES.

Year	Total Number in United States	Total Number in S.M.A.	Total Number Multi-Family D.U. in United States
1947	849,000	N.A.	74,900
1949	931,600	N.A.	118,100
1949	1,025,100	N.A.	194,300
1950	1,396,000	N.A.	197,100
1951	1,091,300	N.A.	150,800
1952	1,127,000	N.A.	138,600
1953	1,103,800	803,500	124,500
1954	1,220,400	896,900	108,300
1955	1,328,900	975,800	101,700
1956	1,118,100	779,800	97,500
1957	1,041,900	699,700	135,900
1958	1,209,400	827,000	195,400
1959 (Est)	1,325,000	N.A.	N.A.
1st 7 months:			
1956	685,700	481,800	56,200
1957	611,400	412,800	75,300
1958	648,800	442,400	105,200
1959	843,700	573,500	149,800
% Change 1958-59	+30	+30	+42

SOURCE: Housing & Home Finance Agency, HOUSING STATISTICS, Historical Supplement December, 1958 and September, 1959 issue, AND, U.S. Department of Commerce & Labor, Construction Review, June, 1959

TABLE 27

PRIVATELY-OWNED PERMANENT NON-FARM DWELLING UNITS STARTED DURING YEAR 1947-1959

Year	Total Number in United States	Total Number in S.M.A.	Total Number Multi-Family D.U. in United States
1947	845,560	N.A.	71,500
1948	913,500	N.A.	104,000
1949	988,800	N.A.	161,700
1950	1,352,200	N.A.	159,200
1951	1,020,100	N.A.	87,500
1952	1,068,500	N.A.	83,500
1953	1,068,300	776,900	94,000
1954	1,201,700	879,400	90,200
1955	1,309,500	960,100	87,700
1956	1,093,900	766,500	82,300
1957	992,800	677,400	119,500
1958	1,141,500	789,000	171,400
1959 (est)	1,275,000	N.A.	N.A.
1956	668,900	472,600	45,600
1957	579,200	399,200	67,800
1958	606,600	420,400	91,100
1959	822,300	560,400	137,800
% Change 1958-59	+36	+33	+51

SOURCE: Housing & Home Finance Agency, HOUSING STATISTICS, Historical Supplement and May, 1959 and September 1959 issues.

TABLE 28

NUMBER OF NEW DWELLING UNITS IN 5 LEADING METROPOLITAN AREAS

1955 - 1958

1958	1957		NEW DWELLING UNITS Number (1) (in 000's) 1958	1957	1956	1955	Per Cent Change 1957-58	56-57	55-56
1	2	N.Y.-N.E. N.J.	84.2	66.3	77.7	97.2	+27	-15	-20
2	1	Los Angeles	81.0	80.7	89.3	103.7	(2)	-10	-14
3	3	Chicago	43.6	41.5	51.5	60.1	+ 5	-19	-14
4	6	San Francisco-Oakland	25.2	18.8	22.0	32.1	+34	-15	-31
5	4	Detroit	23.7	24.3	31.4	40.6	- 2	-23	-23

(1) Based primarily on dwelling units authorized by building permits.

(2) Less than ½ of 1%

SOURCE: U.S. Department of Commerce & Department of Labor, Construction Review, Vol. 5, No. 7, July, 1959, P.7.

TABLE 29

CENTRAL CITY-SUBURBAN DISTRIBUTION OF NEW DWELLING UNITS IN 5 LEADING METROPOLITAN AREAS: 1956-1958

(In Thousands)

S. M. A.	NEW DWELLING UNITS					
	1956		1957		1958	
	Central City	Suburbs (1)	Central City	Suburbs	Central City	Suburbs
N.Y.-N.E. N.J.	25.1	52.6	24.8	41.5	36.0	48.2
Los Angeles	26.9	62.4	27.2	53.5	24.1	56.9
Chicago	12.5	39.0	10.6	30.9	8.9	34.7
San Francisco-Oakland	2.9	19.1	3.3	15.5	4.6	20.6
Detroit	2.7	28.7	2.3	22.0	2.2	21.5

	NEW DWELLING UNITS						
	% IN SUBURBAN			PER CENT CHANGE			
	1956	1957	1958	1956-1957		1957-1958	
				Central City	Suburbs	Central City	Suburbs
N.Y.-N.E. N.J.	68	63	57	- 1	-21	+45	+16
Los Angeles	70	66	70	+ 1	-14	-11	+ 6
Chicago	76	74	80	-15	-21	-16	+12
San Francisco-Oakland	87	82	82	+14	-19	+39	+33
Detroit	91	91	91	-15	-23	- 4	- 2

(1) The suburbs are defined for purposes of this study, as the entire portion of the Standard Metropolitan Area delineated in the 1950 Census lying outside of the central city or cities.

SOURCE: U.S. Department of Commerce & Department of Labor, Construction Review, Vol. 5, No. 7, July, 1959, P.7

TABLE 30

CHANGES IN NEW YORK CITY'S HOUSING SUPPLY, ADDITIONS, DEDUCTIONS, AND NET CHANGE BY YEAR: - 1950 - 1958

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1950-58
New York City										
New Units Completed	34,413	49,012	37,674	25,527	22,265	27,395	29,204	27,507	32,317	285,314
Units Added by Conversion	4,753	4,125	5,010	5,981	7,656	6,459	6,707	5,954	4,926	51,571
Total Additions	39,166	53,137	42,684	31,508	29,921	33,854	35,911	33,461	37,243	336,885
Units Demolished	5,947	4,381	4,421	10,079	10,217	13,837	17,179	12,976	10,675	89,712
Units Lost by Conversion	1,433	1,716	1,426	1,840	2,533	2,146	1,400	1,268	1,219	14,981
Total Deductions	7,380	6,097	5,847	11,919	12,750	15,983	18,579	14,244	11,894	104,693
Net Gain	+31,786	+47,040	+36,837	+19,589	+17,171	+17,871	+17,332	+19,217	+25,349	232,192
New York County (Manhattan)										
New Units Completed	6,147	5,709	5,160	2,041	2,520	3,728	5,609	7,698	9,010	47,622
Units Added by Conversion	3,111	2,190	2,436	2,743	2,292	2,244	2,510	2,267	2,013	21,806
Total Additions	9,258	7,899	7,596	4,784	4,812	5,972	8,119	9,965	11,023	69,428
Units Demolished	3,378	2,510	3,040	4,529	5,508	10,261	8,657	8,155	7,163	53,201
Units Lost by Conversion	786	1,226	1,008	1,027	1,321	1,414	648	447	239	8,116
Total Deductions	4,164	3,736	4,048	5,556	6,829	11,675	9,305	8,602	7,402	61,317
Net Gain	+5,094	+4,163	+3,548	- 772	-2,017	-5,703	-1,186	+1,363	+3,621	+ 8,111

SOURCE: New York City, Department of City Planning, June, 1959.

New York City New Construction

Within this general nationwide and metropolitan area pattern of housing construction, New York City achieved a net gain of 154,357 dwelling units in the eight years following 1950 (Table 30) This gain covers all of the 5 boroughs of the City including Queens and Richmond where it was possible for single-family houses to be constructed in volume on existing vacant land. Manhattan Borough with its extremely high ratio of land coverage presents a different picture with respect to construction of new dwellings. Here there were only 2 alternative methods possible for the provision of additional housing: the demolition of slum dwellings and replacement with new units or the conversion of existing dwellings from non-residential use to residential use and of larger units into smaller apartments. Demolition and replacement was the method resorted to most frequently. 53,201 units were demolished in Manhattan between 1950 and 1958 and 8,116 were lost by conversion (Table 30). In this same period 47,622 new dwellings were completed and 69,428 units added by conversion. The result, of course, was to improve the quality of housing to some degree since the demolished dwelling units were generally some of the worst slums in the Borough.

It is interesting to note that the volume of housing construction in New York City has not followed the same pattern as the nation's as a whole (Tables 26 & 30). The year 1955, which marked the greatest building activity in the United States, was far from being the peak year in New York City or Manhattan. In fact, that year brought the highest number of demolitions of existing units in Manhattan. However, the volume of new housing construction in New York City was much higher in 1956, 1957 and 1958 than the rate of construction in the entire nation. During the first 8 months of 1959 further additions were made to New York City's housing with a net gain of 14,001 units. About one-third of the additional dwelling units were located in Manhattan but here, the greatest amount of demolition also occurred so that even with a total of 9,148 units added the Borough actually made a net gain of only 3,124 units.

TABLE 31

CHANGES IN NEW YORK CITY'S HOUSING SUPPLY

	NEW YORK CITY		MANHATTAN	
	1958	Jan-Aug.'59	1958	Jan-Aug 59
New Units Completed	32,317	21,136	9,010	7,714
Units Added by Conversion	4,926	3,251	2,013	1,434
Total Additions	37,243	24,387	11,023	9,148
Units Demolished	10,675	9,960	7,163	5,884
Units Lost by Conversion	1,219	426	239	140
Total Deductions	11,894	10,386	7,402	6,024
Net Gain	25,349	14,001	3,621	3,124

SOURCE: Dept. of City Planning, N.Y. NEWSLETTER, March, October, 1959.

There is some variance between the Department of City Planning and the Sanborn Map Company in their conclusions on the number of net additions to the existing housing supply over the past decade or so. Despite this variance, the significance of the statistics is basically the same. The fact is that the rate of new residential construction in Manhattan has been low, averaging less than 1% per annum of the existing housing stock. With the useful life of residential buildings generally estimated at 50-60 years, it may be concluded that Manhattan is not supplying housing at a rate necessary to replace worn out structures. In other words, housing is becoming sub-standard at a faster rate than it is being demolished and replaced.

Another significant factor has been the small gain in the Manhattan inventory over the past decade. Demolitions and conversions to non-residential use have practically cancelled out the new construction. While this may indicate qualitative improvement in our housing, in many instances the slum dwellers displaced by new construction have only helped to create new slums in their relocated neighborhoods.

The conversion of one-and two-family dwellings to small apartment units and the split up of large suites to small units have aided immeasurably in maintaining the quantity of Manhattan housing. Were it not for the estimated 25,000 Manhattan units added by conversion in the past decade, our housing inventory would have decreased almost 4%. These conversions basically reflect the demand for small units as well as the difficulty of large plot assemblage. In many instances, an owner of a 20foot wide building has no other feasible alternative than to convert to small apartment units.

Present & Prospective Construction Outlook

1958 and the first nine months of 1959 have produced a sharp upturn in housing construction in the city. A total of 32,317 dwelling units were completed in 1958, with a net gain from new construction and conversions of 25,349. An additional net gain of 16,103 for the first nine months of 1959 are reported. These are the highest totals since 1952. Unfortunately, the significant increase has been in all boroughs except Manhattan. Only about 14% of all net additions to the city housing inventory was in Manhattan although Manhattan accounted for its fair share - some 28% - of new dwelling units constructed. The need to demolish obsolete structures to get building sites accounts for the variance. Much of the construction in other boroughs was on vacant land.

An increasing tempo of construction activity is anticipated for Manhattan as possession of additional large Title I tracts is obtained. However, much of this new housing will be either tax abated or public housing . About 60% of all new Manhattan housing today is in these two categories. This trend is expected not only to continue but to intensify.

From a purely economic, rather than sociological viewpoint, it seems an incongruity that expensive core area land which might otherwise be appealing to tenants able to afford economic rent is instead allocated to subsidized housing producing only half of the tax revenues obtainable from private housing. It will be difficult for Manhattan to induce suburban households of substance to move in any appreciable numbers to convenient, close-in locations when the well located Title I tracts are planned for a predominance of tax abated housing.

A policy question to be discussed in our summary is whether it might be better for the city to put tax abated housing in slum areas in outlying boroughs rather than in the heart of the city.

With reference to the type of ownership and structure of housing in New York City and Manhattan, a very high proportion of the housing is, of course, in the form of apartment buildings. This is becoming increasingly true in the entire New York-Northeastern New Jersey Standard Metropolitan Area. Of the 925,000 dwelling units created between 1950 and 1956 (both farm and nonfarm), over one-third of them were in structures having five units or more and nearly one-half of all the occupied dwelling units were rental units. Of the dwelling units constructed for owner occupancy over one-half (55%) were of 5 and 6 rooms while almost three-fourths (72%) of those constructed for rental purposes contained three and four rooms. In New York City, as could be expected, the percentage of multi-family dwelling units constructed in recent years far outweighed the one- and two-family units (Table 32). In Manhattan all but seven of the dwelling units completed in the past three years were multi-family dwellings.

TABLE 32

NUMBER OF DWELLING UNITS COMPLETED IN NEW YORK CITY BY OWNERSHIP AND TYPE OF STRUCTURE: 1956 - 1958

Ownership & Type of Structure	NUMBER OF DWELLING UNITS			
	1956	1957	1958	Total 1956-58
New York City, Total	29,204	27,507	32,317	89,028
1-family	4,691	4,466	3,886	13,043
2-family	4,556	5,354	5,868	15,778
3-or-more families: Private	17,958	11,413	15,340	44,711
3-or-more families: Public	1,999	6,274	7,223	15,496
New York County (Manhattan) Total	5,609	7,698	9,010	23,317
1-family	1	0	2	3
2-family	4	0	0	4
3-or-more families: Private	5,604	4,305	6,321	16,230
3-or-more families: Public	0	3,393	2,687	6,080

SOURCE: New York City Department of City Planning, April, 1959.

Construction of 132,242 new dwelling units in Manhattan in the 1947-1959 period has been carried on by both private interests, acting with or without government assistance, and public housing authorities. Between 1946 and 1956 39% of the 56,240 apartments completed in Manhattan were in public housing projects, 21% were privately-owned subsidized apartments, and 40% consisted of private unsubsidized units (Table 33). The privately-owned subsidized housing had been erected under such programs as Title I, which enabled 6,419 units to be completed between 1956 and 1959, the Limited Profit and the Limited Dividend Housing programs, and the Redevelopment Companies Act.

The construction of private unsubsidized housing was largely for rental purposes and varied by location as to size, rent-levels and number from year to year. The greatest proportion were erected in Mid-East Manhattan and in Lower Manhattan in the 1947-1957 period (Table 34). The newly constructed units were largely 2- to 4-rooms with very few consisting of 5 or more rooms (Table 35). The trend during this ten year period was toward the two and 3-room apartment rather than in the other direction, thus reflecting the increasing demand of the rising numbers of small households. It also reflected a demand for apartments in the lower rent-levels. Generally, the larger units were constructed in the luxury apartment buildings located in Mid-East Manhattan (Table 36). The two-room apartment tended to be most popular among builders in the Mid-West sections of Manhattan.

At the present time, there are many apartment buildings under construction and scheduled for completion by the end of 1959 or early in 1960.

Unsubsidized builders are erecting 50 buildings with 6,322 dwelling units and 12 buildings containing 4,756 units are going up under the Title I program. Under the New York State Limited Profits housing program, 411 units will be added this year. The New York City Housing Authority is constructing 6,429 units some of which are already occupied (Table 37).

Changes Through Conversion & Demolition

As previously indicated, one of the most useful methods available to a city already intensively developed by which dwellings can be created is that of conversion of existing buildings. This may be either converting other residential buildings into multiple housing or altering large dwellings into smaller units. Property owners in New York City used this device to create 74,044 additional dwelling units in the 1946-1957 period. Most of this gain resulted from converting other-types of buildings, such as offices and hotels into dwellings (Tables 30 & 38).

TABLE 33
APARTMENTS COMPLETED IN MANHATTAN, 1946-1956

Type of Housing		Apartments Number	Per Cent
All apartments		56,240	100.0
Public Housing		22,170	39.4
Private subsidized		11,660	20.7
Partially tax exempt(1)	9,990		
Title I(2)	1,670		
Private unsubsidized		22,410	39.9
Rental	19,640		
Cooperative	2,340		
Professional use	270		
Hotel apartments	160		

(1) Stuyvesant Town & Riverton, which received a 25-year exemption in property taxes on the increased assessed valuation of the land and new buildings. Apartments in this group include a small number of professional units.
(2) Corlears Hook cooperative; land purchasedby city and sold to developers at reduced cost.

SOURCE: Program Analysis Section of Temporary State Housing Rent Commission, Survey of Uncontrolled Postwar Rental Housing in Manhattan, March, 1957 High Rent Housing & Rent Control in New York City, April, 1958, pg. 9.

TABLE 34
PRIVATE UNSUBSIDIZED RENTAL APARTMENTS COMPLETED, BY LOCATION
MANHATTAN, 1947-1951 COMPARED WITH 1952 - 1956

	1947-1951		1952-1956		Per Cent
	Number	Per Cent	Number	Per Cent	Change
Entire Borough	9,222	100.0	10,420	100.0	+13
Lower Manhattan	3,009	32.6	1,856	17.8	-38
Mid-East Manhattan	3,613	39.2	7,011	67.3	+94
Mid-West Manhattan	1,331	14.4	328	3.1	-75
Upper Manhattan	1,269	13.8	1,225	11.8	- 3

SOURCE: Temporary State Housing Rent Commission, op cit., p. 19

TABLE 35

PRIVATE UNSUBSIDIZED RENTAL APARTMENTS COMPLETED BETWEEN 1947 & 1956, BY NUMBER OF ROOMS, MANHATTAN, MARCH, 1957.

Number of Rooms	APARTMENTS Number	Percent
All apartments	19,642	100.0
1 room	353	1.8
2 rooms	3,642	18.5
3 rooms	8,108	41.3
4 rooms	5,745	29.3
5 rooms	1,477	7.5
6 rooms	276	1.4
7 rooms or more	41	0.2
Median number of rooms	3.2	

SOURCE: Temporary State Housing Rent Commission, op cit p. 11.

The post-war years have brought many changes to Manhattan's supply of housing. On the one hand, there has been extensive new housing construction and conversion of existing buildings into additional dwellings. On the other hand, a wide spread demolition of tenement properties have been necessary to provide the land required for new construction. From 1950 to 1958 Manhattan demolished 53,201 dwelling units, almost entirely in multi-family structures (Table 30). The consequence of such demolition is evident in the declining numbers of old tenement buildings. An inventory of Manhattan's housing in 1956(1) revealed a loss since 1945 of 4,188 "Old-Law Tenements" (those erected prior to 1901) containing 55,822 dwelling units. In addition, 373 "New Law Tenement" (1902-1928) buildings with 8,112 units had been destroyed. Each year the number of tenements demolished has grown larger. The 1956 inventory indicated that there were 246,065 "Old-Law Tenements" and 222,754 "New-Law Tenements" still remaining.

The result of this constant conversion and construction of apartment buildings and the demolition of old tenement buildings has been to improve the quality of the housing in New York City and Manhattan somewhat even though the net gain from all of the construction, conversion, and demolition activity has been comparatively very small. Another fact of considerable significance is the rent-levels of the various units. The older tenements which were demolished almost invariably were rent-controlled at low monthly rentals. The new apartment buildings that were constructed by private owners following 1947 (and therfore free from rent-controls) were generally luxury-type apartments.

(1) The Real Estate Board of New York, Inc., Research Dept., Apartment Building Construction Manhattan 1902-1953, Supl. No. 3, May 1957.

TABLE 36

PRIVATE UNSUBSIDIZED RENTAL APARTMENTS COMPLETED, 1947-1951, & 1952-1956 BY NUMBER OF ROOMS & LOCATION, MANHATTAN, MARCH, 1957

(PER CENT DISTRIBUTION)

Number of Rooms	Entire Borough		Lower Manhattan		Mid-East Manhattan		Mid-West Manhattan		Upper Manhattan	
	1947-1951	1952-1956	1947-1951	1952-1956	1947-1951	1952-1956	1947-1951	1952-1956	1947-1951	1952-1956
All Apartments	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 Room	2.0	1.5	2.5	4.1	1.1	0.7	0.1	0.0	4.0	2.1
2 Rooms	12.4	24.5	4.6	21.6	17.6	27.6	17.9	52.9	14.7	8.0
3 Rooms	38.2	44.1	46.7	35.4	29.0	44.4	34.0	35.3	43.7	45.9
4 Rooms	37.0	21.8	45.3	30.1	31.8	19.3	33.0	11.8	35.5	33.1
5 Rooms	8.1	7.0	0.9	8.6	15.6	6.7	11.9	0.0	2.1	9.4
6 Rooms	2.0	0.9	0.0	0.1	4.2	1.1	3.1	0.0	0.0	1.5
7 Rooms or more	0.3	0.2	0.0	0.1	0.7	0.2	0.0	0.0	0.0	0.0
Median Number of Rooms	3.4	3.0	3.4	3.2	3.6	3.0	3.4	2.4	3.2	3.4

SOURCE: New York State Temporary Rent Commission, op. cit., Page 20.

TABLE 37
CONSTRUCTION OF APARTMENT BUILDINGS IN MANHATTAN
1947 - 1961

Year	Number of Buildings	Units	Rooms
Private Housing[1]	439	55,450	181,682
Completed[2]	300	39,002	135,002
For Completion	50	6,322	19,518
Plans Filed	89	10,126	27,162
Competitive:	403	50,691	161,866
Completed 1947-1959[2]	274	35,795	121,891
For Completion 1959-1960	43	5,513	15,639
Plans Filed 1955-1959	86	9,383	24,336
(Institutional Completed)[3]	(64)	(13,066)	(46,510)
Cooperative:	36	4,759	19,816
Completed 1947-1959[2]	26	3,207	13,111
For Completion 1959-1960	7	809	3,879
Plans Filed 1957-1959	3	743	2,826
Government Assisted Housing	417[4]	76,792	284,977[4]
Title I - Urban Redevelop.	64[4]	31,288	87,246[4]
Completed 1956-1959[2]	22	6,419	23,723
For Completion 1959-1960	12	4,756	15,946
Under Contract 1959-1961	19	6,479	22,495
Planning 1959-1961[4]	11	11,704	25,082
Future[4]	N.A.	1,930	N.A.
Limited Profits Housing	4	848	1,745[4]
For Completion 1959-1960	2	411	1,745[4]
Planning[4]	2	437	N.A.
Public Housing Projects[4]	349	44,656	195,986[4]
Completed 1947-1958	223	26,993	124,162
Partially Occupied and Under Construction	60	6,429	29,822
Pending Construction	66	11,234	42,002

1. Does not include Government Assisted Housing
2. As of May, 1959
3. Metropolitan Life and New York Life Insurance Companies
4. Incomplete. Does not include future and planning projects.

N.A. Not Available.

SOURCE: New York, The Real Estate Board of New York, Inc., Research Dept., APARTMENT BUILDING CONSTRUCTION MANHATTAN 1902-1953, Supplement No. 5 1947-1961, May, 1959.

TABLE 38

NUMBER OF DWELLING UNITS ADDED BY CONVERSION IN NEW YORK CITY

1946-1957

Year	Dwelling Units Added by Conversion			
	Through Subdivision[1]	Conversion of 1- & 2-family Structures[2]	From Other Uses[3]	Total
1946	397	1,243	3,751	5,391
1947	737	1,081	12,194	14,012
1948	841	1,307	1,501	3,649
1949	485	1,872	1,990	4,347
1950	0	1,733	3,020	4,753
Total 1946-1950	2,460	7,236	22,456	32,152
1951	916	2,104	1,105	4,125
1952	1,221	2,290	1,499	5,010
1953	1,262	2,602	2,117	5,981
1954	1,346	4,103	2,207	7,656
1955	1,591	3,461	1,407	6,459
Total 1951-1955	6,336	14,560	8,335	29,231
1956	1,977	3,684	1,046	6,707
1957	1,831	2,865	1,258	5,954
Total 1956-1957	3,808	5,449	2,304	12,661
1946-1957				
Total	12,604	28,345	33,095	74,044
Average per Year	1,050	2,362	2,758	6,170

1. Includes dwelling units added in Class A structure by subdividing larger dwelling units into smaller units.

2. Includes dwelling units added by conversion of one- and two-family structures into Class A multiple dwellings.

3. Includes dwelling units added by changes in use from non-residential uses (hotels, offices, factories) to residential uses as well as changes in use from Class B multiple dwellings, rooming houses to Class A multiple dwellings.

SOURCE: New York City Department of City Planning, August, 1958.

Even those constructed by private owners under government assisted Title I programs usually rented at upper-middle and lower income levels. Consequently, of 131,494 new units constructed or to be constructed in the 1947-1961 period, 86,738 dwelling units (Table 37) were built to rent at high rentals with the remaining 848 units presently being built under the Limited Profit Housing Act possibly to be rented at figures suitable for typical middle-income tenants but more likely to become cooperative apartments. Only the public housing projects have provided apartments for middle- and lower-income residents and these totalled 44,656 dwelling units. In addition, most of the conversions of older, larger apartments, houses and other-use buildings into smaller, more modern apartments was done in an effort to escape from the restrictions of the rent control law: so, as a result, the net gain of 6,865 units made possible by conversion was usually in middle- and upper-middle income rentals.

Construction Costs

Construction costs, relatively higher than consumer or wholesale prices, have been somewhat of a deterrent to new construction and, in a limited way, a depressant to land value. While high construction costs are to be normally anticipated under the impact of 20 years of sustained inflationary pressures, the disturbing aspect is the increasing gulf between costs in general and construction costs. As Table 39 demonstrates, construction costs have increased 33% in the past nine years while consumer prices have advanced only 20%.

TABLE 39
COST DIFFERENTIALS BETWEEN CONSUMER
PRICES & NATIONAL APARTMENT CONSTRUCTION COSTS
1950-1958 (1947-49 = 100%)

YEAR	CONSUMER PRICE INDEX	NATIONAL CONSTRUCTION COST INDEX	% INCREASE OVER 1950 CONSUMER PRICES	% INCREASE OVER 1950 CONSTRUCTION COSTS
1950	102.8	109.6	-	-
1951	111.0	118.0	8.0	7.7
1952	113.5	112.0	10.4	11.3
1953	114.4	125.8	11.3	14.8
1954	114.8	126.8	11.7	15.7
1955	114.5	130.6	11.4	19.2
1956	116.2	131.0	13.0	19.5
1957	120.2	141.2	16.9	28.8
1958	123.5	145.8	20.1	33.0

SOURCE: Housing & Home Finance Agency, U.S. Department of Commerce.

This disposition of construction costs to outstrip general costs is not a post-1950 phenomenon. Historically, this has been the case since the Civil War. It is interesting to observe that about 70% of the cost increases over the last decade occurred in the years immediately following building booms engendered by easy V.A. and F.H.A. mortgage credit and an easy mortgage money supply, namely, 1951, 1956 and 1958.

Costs today for a typical residential dwelling unit are about 240% over pre-World War II units. The dwelling unit which cost $8,000. in 1940 now costs $19,200. Stated differently, 1940's construction costs were only 42% of today's costs. Fortunately, despite these rises in construction costs, personal income rose even higher, thus allowing many people to afford the high rents and prices required to make a reasonable profit for the builder.

How does this concern the Manhattan housing market? In common with other locations, excessively high construction costs tends to repress land values, or at least dampen excessive land value increases, particularly in areas where demand is weak. Also, it tends to put new housing beyond the reach of many households unless tax or other subsidies are provided. Even the most modest urban accommodation cannot be constructed today at rents which households earning between $6,000 and $9,000 can afford, unless some subsidy is provided. This subsidy usually is tax abatement. Thus, inordinately high construction costs impair the municipalities capacity to obtain full tax revenues.

We may then conclude that the middle-income market in a controlled rent economy can only be effectively served by permitting substantial tax subsidy, or, as in the case of the Limited Profit Housing, debt service at interest costs less than prevailing market mortgage rates. It may also be observed that land values are affected adversely by these high construction costs in any area where it is planned to house primarily middle-income families, and where there is pressure to provide housing at moderate levels.

III. VACANCY AND TURNOVER FACTORS:

Rental Vacancy Rates

Since World War II, the vacancy rates in the United States have been extremely low and have shown a tendency to rise very slowly. The high rate of family formation plus the pent-up need for housing created a demand for housing which surpassed the creation of additional dwellings. From 1950 until the second quarter of 1959, the vacancy rate for available rental units in the United States climbed from 1.1% to only 2.5% (Table 40). During this time non-farm home ownership rose to an all-time high of 58% in 1959. Of the 37.3% of all dwelling units in the United States that were rented, 6.1% were vacant in the second quarter of 1959.(1)

(1) U.S. Bureau of the Census, Housing & Construction Reports, Housing Vacancies, Series H-111.

TABLE 40
VACANT DWELLING UNITS IN UNITED STATES:
1950-1958 - FIRST QUARTER 1959
(Per Cent Distribution)

	April, 1950	1957 Average	1958 Average	1959 Second Quarter
All dwelling units	100.0	100.0	100.0	100.0
Year-round Vacant:				
Not dilapidated	3.3	4.9	5.5	6.1
For rent or for sale (available)	1.6	2.4	2.8	3.2
For rent	1.1	1.9	2.2	2.5
For sale only	0.5	0.5	0.6	0.7
Rented or sold, awaiting occupancy	1.7	0.4	0.5	0.5
Held off market	-	2.1	2.2	2.4
Dilapidated	1.1	1.1	1.1	1.3
Seasonal vacant	2.5	2.8	3.2	3.0
Occupied	93.1	91.1	90.1	89.6

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, Housing and Construction Reports, Housing Vacancies, Series H-111, No. 15, January, 1959, "Vacant Dwelling Units in the United States, Fourth Quarter 1958", AND, Advance release of data to be presented in Housing and Construction Reports, Series H-111, No. 16, "Nation's Supply of Available Vacant Dwellings Remains Unchanged".

The vacancy rates have tended to vary in different areas of the country with the lowest percentage of vacant rental units always to be found in the Northeastern region where it ranged from 1.5% in 1950 to a high of 3.5% in the fourth quarter of 1958 and 3.3 in the second quarter of 1959. The other three regions displayed much greater fluctuations, all of them having comparatively high vacancy rates in the second quarters of 1959: 9.0% in the West, 6.4% in the North Central, and 9.0% in the South. As might be expected, the Standard Metropolitan Areas throughout the nation maintained low (5.1) vacancy rates over the period. The New York-Northeastern New Jersey Metropolitan Area was no exception for in 1950 its vacancy rate was very low, having only 1.3% of all of its dwelling units vacant and available[1] and New York City and Manhattan had even fewer vacancies with 1.1% and 0.8% vacancies, respectively.

(1) U.S. Bureau of the Census, Housing & Construction Reports, Housing Vacancies, Series H-111.

TABLE 41

VACANT DWELLING UNITS IN NEW YORK-NORTHEASTERN NEW JERSEY STANDARD METROPOLITAN AREA: APRIL 1, 1950

	ALL DWELLING UNITS	VACANT DWELLING UNITS		
		Total	Available Vacant Units	
			Number	Per Cent of all Units
Metropolitan Area	3,956,743	179,806	50,156	1.3
New York City	2,435,624	75,713	27,622	1.1
New York County	637,539	11,706	5,107	0.8

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, 1950 Census of Housing, Advance Reports, Series HC-7, No. 32, Dated March 21, 1952, "Vacant Dwelling Units in New York: April 1, 1950".

Vacancies in Manhattan apartment buildings have been almost non-existent throughout the entire post-war period. In 1950, the vacancy rate in 1,729 privately owned apartment buildings surveyed stood at less than one per cent 0.14% (Table 42). The 9-story and over elevator buildings displayed the highest rate (0.2%) of all types of buildings in the group. Even after the passage of five of the busiest years in construction history the vacancy rate in Manhattan apartments was only slightly higher - 0.4% in October, 1955 with the highest rate of 0.4% still occurring in the 9-story and over buildings.

When the buildings were segregated according to time of their construction, the post-war buildings had a vacancy rate of 3.4% substantially higher than the older buildings, all of which are rent controlled.

A survey of vacancies in "Old-Law Tenements" indicated a decline in vacancies from 16% in 1944 to 0.1% in 1954.(1) From these vacancy records it is obvious that vacancies are confined almost exclusively to housing constructed since 1947 and free from rent controls. There are no vacancies in the older buildings where the bargains in rent exist nor can any increase in the vacancy rate be expected as long as rent controls are in effect.

(1) The Real Estate Board of New York, Inc., Research Dept., Tenement Areas in Manhattan, Occupancy Survey, Tenement Series No. 16, March, 1954.

TABLE 42

VACANT PRIVATELY-OWNED DWELLING UNITS IN MANHATTAN - 1950-1958

	October, 1950				October, 1955				October, 1956				October, 1957				October, 1958			
	Total	D.U's	Vacant		Total	D.U's	Vacant		Total	D.U's	Vacant		Total	D.U's	Vacant		Total	D.U's	Vacant	
	Bldgs	D.U.'s	No	%	Bldgs	D.U.'s	No	%	Bldgs	D.U.'s	No	%	Bldgs	D.U.'s	No	%	Bldgs	D.U.'s	No	%
Total Privately-Owned Apt. Bldgs	1,729	88,347	123	0.14	1,457	88,238	324	0.4	1,419	91,830	1,088	1.2	1,422	93,404	401	0.4	1,255	85,969	308	0.4
Elevator Apts.																				
9 Story & Up	924	63,657	93	0.2	763	66,952	262	0.4	767	70,518	951	1.3	771	72,133	368	0.5	692	66,648	249	0.4
6 Story	319	14,596	21	0.1	281	12,854	33	0.3	280	13,458	122	0.9	280	13,371	24	0.2	243	12,170	42	0.3
Walk-Ups	486	10,184	9	0.1	413	8,432	29	0.3	372	7,854	25	0.3	371	7,900	9	0.1	320	7,151	17	0.2
Post War Bldgs*	-	-	-	-	139	20,166	71	0.4	187	26,190	901	3.4	205	28,975	253	0.9	206	29,350	91	0.3

* Included in vacancy survey totals above.

SOURCE: The Real Estate Board of New York, Inc., Research Dept., Competitive Apartment Buildings in Manhattan, Occupancy Survey, Apt. Series Nos. 39, 46, 47.

A recent survey(1) of 19,642 new, private, unsubsidized rental apartments completed in Manhattan between 1947 and 1957 and, therefore, outside of rent controls, disclosed only 3% vacancy. Vacancies occurred in far greater numbers in the $150 to $199 rent category than in any other class. The $200 to $249 rent group was next with 27.5% of all of the vacant apartments. The lowest percentages of vacancies occurred in the very lowest and highest rent classes.

TABLE 43
OCCUPIED AND VACANT UNITS IN PRIVATE UNSUBSIDIZED RENTAL APARTMENTS COMPLETED BETWEEN 1947 AND 1956, BY MONTHLY RENT, IN MANHATTAN, MARCH 1, 1957.

	ALL APARTMENTS		OCCUPIED APARTMENTS		VACANT APTS.	
	Number	%	Number	%	Number	%
All apartments	19,642	100.0	19,046	100.0	596	100.0
$50 to $99	687	3.5	686	3.6	1	0.2
$100 to $149	5,421	27.6	5,376	28.2	45	7.6
$150 to $199	6,089	31.0	5,791	30.5	298	49.9
$200 to $249	3,064	15.6	2,900	15.2	164	27.5
$250 to $299	2,003	10.2	1,942	10.2	61	10.2
$300 to $349	1,179	6.0	1,157	6.1	22	3.7
$350 to $399	629	3.2	625	3.3	4	0.7
$400 to $449	314	1.6	313	1.6	1	0.2
$450 to $499	79	0.4	79	0.4	0	0.0
$500 or more	177	0.9	177	0.9	0	0.0
Median Monthly Rent	$181		$180		$192	

When this same group of apartment buildings are scrutinized for variations in vacancy rates arising out of differences in location and time of construction, it becomes apparent that vacancies were more numerous in Mid-East Manhattan (4.0%) where the volume of new construction was the highest and in Upper Manhattan (2.4%). The vacancy rates are also considerably higher in all locations, except Mid-West Manhattan in the buildings constructed in 1956 (Table 44).

Population Mobility

That the American people are a restless lot is a well recognized fact. Since the end of World War II, about one-fifth of the people moved from one residence to some other during each year. More often than not the move was made to another residence in the same county. The people of the Northeastern Region of the country tended to move less than in the rest of the United States. Between March, 1957 and April, 1958 only 14.3% of all residents of this region changed their place of residence.(1)

(1) U.S. Bureau of the Census, Current Population Reports, Population Characteristics, Series P-20, No. 85, Oct. 13, 1958.

TABLE 44

TOTAL NUMBER & VACANCIES IN PRIVATE UNSUBSIDIZED RENTAL APARTMENTS COMPLETED BETWEEN 1947 & 1956 BY LOCATION & BY YEAR OF COMPLETION, MANHATTAN, MARCH 1, 1957

LOCATION	TOTAL			1947-1955 COMPLETION			1956 COMPLETION		
	Number of Apartments	Number of Vacancies	Vacancy Ratio	Number of Apartments	Number of Vacancies	Vacancy Ratio	Number of Apartments	Number of Vacancies	Vacancy Ratio
Entire Borough	19,642	596	3.0	13,770	94	0.7	5,872	502	8.5
Lower Manhattan	4,865	85	1.7	4,205	22	0.5	660	63	9.5
Mid-East Manhattan	10,624	438	4.1	5,881	51	0.9	4,743	387	8.2
Mid West Manhattan	1,659	12	0.7	1,659	12	0.7	0	0	0.0
Upper Manhattan	2,494	61	2.4	2,025	9	0.4	469	52	11.1

SOURCE: Temp. Rent Comm. op cit, pg. 28.

TABLE 45

MOBILITY OF CIVILIAN POPULATION OF THE UNITED STATES: 1948-1958

(in thousands)

YEAR ENDING APRIL	TOTAL CIVILIAN POPULATION	DID MOVE DURING YEAR			% MOVED DURING YEAR
		Total	Same County	Different County	
1948	141,698	28,210	19,202	9,008	19.9
1950	146,864	27,526	19,276	8,250	18.7
1952	150,494	29,840	19,874	9,966	19.8
1954	155,679	29,027	19,046	9,981	18.6
1956	161,497	33,098	22,186	10,912	20.5
1958*	167,604	33,263	22,023	11,240	19.8

* From April, 1957 to March, 1958

SOURCE: U.S. Bureau of the Census, Current Population Reports, Population Characteristics, Series P-20, No. 85, October 13, 1958.

Studies have shown that the suburban population is somewhat more mobile than the central city population of Standard Metropolitan Areas. In 1950, 15.2% of the central city population and 16.7% of the suburbs population one-year old and over did not live in the same house as the year before.(1) As might be expected, the proportion of persons moving to different houses in the same county was higher (11.1%) among the central city population than it was among the suburban population (10.7%) and the proportion of the movers coming from other places was much higher in the suburbs: 2.8% coming from other counties in the same state and 3.2% from other states to new residences in the suburbs as compared to 1.7% and 2.4% respectively, for movers to central cities.

In keeping with the overall increase in the rate of moving of the United States population, by 1958 19.0% of the S.M.A. population moved within the year. But the rates for the central city and suburbs had in the interim changed: now it was the people of the central cities who were moving rather than the suburbanites. One-fifth of the central city population moved during 1957 as compared to 17.7% of the suburban population. The move in 1957 was made more frequently to places outside of the county in the same state in which they had previously resided with a rate of 4.9% for the central city population in contrast to the 1.7% who made this type of move in 1949. In 1957, 6.4% of the suburban population had moved to another house in some county other than the one of the

(1) U.S. Bureau of the Census, Vol. IV, Special Reports, Part V, 1950 Census.

previous residence, as compared with the 2.8% rate in 1950. By far the highest rates of movement were to be found among the age-groups between 18 and 29 years where the percentage of population moving in 1957 ranged from 28.7% to 43.2%.(1)

In urban areas of 3 million people or more, the proportion of movers is smaller - only 17.0% - than in other areas with smaller populations. Also, the white population in the largest urban centers shows a propensity to move less, for in 1957 only 15.3% of the white residents changed their place of residence with an even smaller proportion of 11.2% among the suburban population. On the other hand, the non-white population of the very large urban places were much more inclined to move, especially within the same county. In 1957, 27.1% of the non-white residents of urban areas with 3 million or more and 29.6% of those in urbanized areas of 1-3 million moved, primarily (26.1%) to other houses in the same county.(1)

It can be concluded that, although the American people on the whole tend to move often, the people of the large central cities generally move less frequently than those of smaller cities with the residents of the Northeastern Region demonstrating the least inclination to move. The growing tendency of the suburban population to show less mobility than it did ten years ago is evident in the relatively smaller proportions of the people in the suburban areas who had moved in 1957. The central cities population, at the same time, shows an inclination toward a slightly increased mobility although still largely within the same county. The non-white population in suburbanized areas had substantially increased its rate of movement.

From such conclusions concerning the country as a whole, it is not strange to find that the rate at which residents of New York City and especially Manhattan move is considerably lower than that for the United States. A recent report concerning apartment building occupancy in Manhattan(2) discloses that in the buildings surveyed the tenant turnover rate ranged from 7.0% in 1952 to 9.4% in 1954 in buildings which were built prior to 1947 and therefore primarily under public rent controls. In 1958 the tenant turnover in these buildings had dropped to 8.2%. The buildings which had been constructed in the post-war period and consequently not subject to public control of their rents experienced considerably higher tenant turnover with rates ranging from 7.7% in 1952 to 13.6% in 1955 although rates declined in the years following until in 1957 9.3% of the tenants moved during the year and 9.8% in 1958 (Table 45). This would indicate that, unlike other central cities in the country, the rates of turnover in Manhattan are tending to decline and that movement among tenants of the low-rent, controlled apartments is substantially less than in the decontrolled and higher-rent apartments.

(1) U.S. Bureau of the Census, Current Population Reports, Population Characteristics, Series P-20, No. 85, Oct. 13, 1958.
(2) The Real Estate Board of New York, Inc. op cit.

In light of the foregoing conclusions with respect to the high rates of movement of non-white population in central cities, who are generally to be found in low-rent housing, the situation in Manhattan would seem to be in direct opposition to the trend in the rest of the country.

In one respect, the movers in Manhattan followed the same pattern: that is, an increasingly larger proportion of the tenants moving each year merely exchanged an apartment in one neighborhood for some other apartment in another part of the same Borough of Manhattan.

TABLE 45A
TENANT TURNOVER, MANHATTAN: 1950-58

	BUILDINGS EXISTING PRIOR TO 1947			POST-WAR BUILDINGS		
	Dwelling Units	Tenant Turnover Number	%	Dwelling Units	Tenant Turnover Number	%
1952	74,732	5,206	7.0	7,445	574	7.7
1953	73,430	5,845	8.0	18,802	2,028	10.8
1954	69,879	6,586	9.4	18,835	2,052	10.9
1955	68,072	6,350	9.3	20,166	2,751	13.6
1956	65,640	6,018	9.2	26,190	2,831	10.8
1957	64,429	5,530	8.6	28,975	2,697	9.3
1958	56,619	4,659	8.2	29,350	2,885	9.8

SOURCE: The Real Estate Board of New York, Inc. Research Dept., COMPETITIVE APARTMENT BUILDINGS IN MANHATTAN, OCCUPANCY SURVEY, Apt. Series No. 45, 46, & 47, Oct. 1956, 1957, 1958.

The remaining movers in Manhattan have "leap-frogged" over the rest of the City to new homes in the suburban areas of Long Island, Westchester, and New Jersey (Table 46).

Why do tenants move? What forms the basis for the choice of a new dwelling place? There can be little quarrel with the generally-held opinion that tenants of rent-controlled apartments do not move as often as those in the decontrolled higher rent units. Among 9,110 controlled high-rent apartments covered in a recent survey[1] it is found that, at the median, tenants occupied their apartments for 6.2 years but that nearly one-third (29%) had been occupying the same apartment during the entire period of rent control, for thirteen years or longer. In November, 1956, tenants of these apartments disclosed that almost four-fifths (77.7%) had previously been residents of Manhattan, principally in Mid-Manhattan neighborhoods with only 5.5% coming from other boroughs of New York City, 5.2% from other places in New York State and 10.4% coming from outside the state.

(1) Temporary State Housing Rent Commission, op cit., pp 90 & 102.

Most of these tenants preferred to rent their accommodations and, if they should move, 8 out of 10 reported that they would elect to rent their next apartments in Manhattan, preferably on the East Side (the choice of 3/4 of those surveyed), with Lower Manhattan second in popularity, and with the West Side preferable to only a comparatively few (about one-fifth).(1)

TABLE 46
MOVEMENT OF TENANTS 1955 & 1956 MANHATTAN

LOCATION	MOVEMENT TO OTHER AREAS					
	1955		1956		1957	
	Number Families	%	Number Families	%	Number Families	%
Total	2,162	100.0	2,240	100.0	1,186	100.0
Manhattan	535	24.7	642	28.7	405	34
Queens	116	5.4	49	2.2	69	6
Brooklyn	15	0.7	19	0.8	12	1
Bronx	38	1.8	16	0.7	7	0
Long Island	227	10.5	98	4.4	78	7
Westchester	69	3.2	120	5.4	99	8
New Jersey	71	3.3	50	2.2	32	3
Unknown	995	46.0	1,130	50.4	374	32
Other Regions	96	4.4	116	5.2	86	7

MOVEMENT TO OTHER UNITS 1955 & 1956

TYPE OF UNITS	1955		1956		1957	
	Number Families	%	Number Families	%	Number Families	%
Total	2,534	100.0	2,811	100.0	663	100.0
Larger Dwellings	841	33.2	893	31.8	-	-
Smaller Dwellings	200	7.9	244	8.7	-	-
Own Homes	896	35.4	744	26.5	139	21
Cooperatives	5	0.2	3	0.1	-	-
Apartments	535	21.1	827	29.4	524	79
Less Expensive	57	2.2	100	3.5	-	-

SOURCE: The Real Estate Board of New York, Inc., Research Dept., COMPETITIVE APARTMENT BUILDINGS IN MANHATTAN, OCCUPANCY SURVEY, Apt. Series No. 45, 46 & 47, Oct. 1956,1957 & 1958.

(1) Temporary State Housing Rent Commission, op cit, pp. 90 & 102.

Many shifts of residence arise when the head of the family is forced to move because of changes in the location of his employment; hence, the movement of so many factory workers and foremen from the central cities to the suburbs and to other sections of the country. But, the greater part of residential mobility is due neither to the growth of the population nor to the vagaries of the labor market. The most prevalent single reason that has been found to motivate a family's change of residence is the desire for additional space. The need concerns itself with more room and better services than were available in the former housing. The second most important consideration giving rise to a move is the lack of open space, fresh air, and sunlight about the house, street noises, dirt and the "kind of people" in the neighborhood. Last with respect to frequency of complaint were the costs of maintenance and the amount of privacy. In one extensive study made in recent years,(1) it was found that surprisingly enough the nearness to church, the travel to work, kind of schools and shopping facilities were matters of comparative unimportance when compared to the desire for more room and a better environment. This preference has resulted in the phenomenal movement of families to single family houses of their own in the comparatively spacious communities typical of suburban areas, particularly on the part of families with children of school-age. Generally, it is this desire for more room that has also motivated many of the moves from one apartment to another in Manhattan.(2) Very seldom do tenants leave their former residence to find a less expensive one.

A survey conducted recently with respect to journey-to-work experience on the part of residents of the New York metropolitan region(3) disclosed that when considered from the desirability of "pleasant surroundings" the counties with the most unfavorable ratings were the core counties of Manhattan, Brooklyn, Bronx, Queens and Hudson (New Jersey). This would tend to substantiate the belief that these congested and intensively developed central areas are the least desirable places in which to live and, therefore, the flight from the core will surely continue on the part of families with minor children.

Significance of Vacancy and Turnover Rates

Only those vacancies existing in de-controlled (post 1947) apartments have any applicability in an analysis of the Manhattan housing market. Certainly little or no vacancies can be anticipated in controlled rent apartments. Even the post 1947 vacancies are not a wholly reliable indicator of demand since they are in buildings which comprise no more than 10% of the market. Furthermore, many families in possession of controlled apartments at bargain rents are not considering apartments in new buildings which they otherwise might consider. Thus, as we will later discuss in our section on

(1) Peter H. Rossi, Why Families Move. Glencoe, Ill. The Free Press, 1955, pg. 2.
(2) Temporary State Housing Rent Commission, op cit, p. 102.
(3) Hoover & Vernon, op. cit, pg. 227.

rent control, we are dealing with a fragmented market where normal supply-demand activity simply does not exist. The current extent of vacancies sheds little or no light on whether supply is essentially in balance with demand.

The declining turnover rate in Manhattan is difficult to explain. While a low turnover is expected in controlled accommodations, the relatively low rate in post 1947 buildings is surprising. It may indicate a basic contentment with Manhattan housing. More likely, it reflects the decreased mobility arising out of the recession of 1957-1958, plus the relative maturity of the Manhattan economy. Growth, expansion, dynamic change - none of these are present in Manhattan except for the office building boom. The incentive or need to move may have diminished accordingly.

It can be concluded, however, that over 57,000 public and private dwelling units a year in Manhattan are vacated, or 9% of the current inventory. Each year these units become available to provide for tenant relocation, for corporate transferees, for those forming new households as well as those households improving or for some reason changing their housing status.

IV. LAND AVAILABILITY AND LAND COSTS:

Population Density

The Borough of Manhattan is located in one of the most densely-populated areas in the world. The New York Metropolitan Region which consists of 22 counties in the states of New York, New Jersey and Connecticut, contains 6907.0 square miles of which over 1/6th (1107.0 square miles) in 1954 was intensively developed, 223.7 square miles had a low intensity of development, 329.8 square miles was in recreation and parkways and 4,089.6 square miles was open land suitable for development.(1) Within this extensive area of land New York City had a total land area of only 314 square miles of which 211.8 square miles was intensively developed and 55 square miles was open land suitable for development. At the very core of this tremendous metropolitan community was the Borough of Manhattan with 22 square miles of land area of which all but 2.2 square miles of land for recreation and parkway purposes was intensively developed in 1954.

Manhattan Land Uses

An inventory of New York City's land uses made in 1955-1956 reveals extremely small amounts of vacant land in any of the five boroughs with the exception of Staten Island. One-fourth of all land in the Borough of Manhattan is devoted to residential use. The old walk-up apartments still use 13.2% of the land while only 8.4% is used for elevator apartments. Less than 7% is allocated to industry and 4.4% to commercial and retail uses of all kinds. On the other hand, streets take-up 1/3 of all land in Manhattan and public and private institutions another 8.0%.

(1) Reg. Plan Assn. People, Jobs & Land, op cit. p. 31

TABLE 47
LAND DEVELOPMENT: 1954
(In square miles)

	TOTAL LAND AREA	DEVELOPED LAND*			OPEN LAND**		
		Intensive#	Low Intensity##	Recreation and Parkways	Stopes Exceeding 10%	Swamps and Marshes	Suitable for Development
N.Y.-N.J.-Conn. Metropolitan Region (22 counties)	6907.0	1107.0	223.7	329.8	1019.6	137.4	4089.6
New York City	314.0	211.8	10.1	23.5	0.7	13.0	55.0
Environs	6593.0	895.2	213.6	306.3	1018.9	124.4	4034.6
Manhattan	22.0	19.8	-	2.2	-	-	-

SOURCE: Regional Plan Association, People, Jobs, and Land 1955-1975, Bulletin #87, June, 1957, pg. 31.

* Includes residential development at densities up to 2 acres per dwelling.
** Includes vacant land, farms and residential estates at densities over 2 acres per dwelling.
\# Includes residential, commercial and industrial sites where buildings cover 10% or more of the land.
Includes sites where less than 10% of the land is covered by buildings such as cemetaries, airports, and campus-type institutions and industries.

TABLE 48

NEW YORK CITY LAND USE INVENTORY - 1955-1956

LAND USE OF CATEGORY	MANHATTAN		BRONX		BROOKLYN		QUEENS		RICHMOND		TOTAL CITY	
	Acres	% of Boro	Acres	% of Boro	Acres	% of Boro	Acres	% of Boro	Acres	% of Boro	Acres	% of City
Total Vacant	385	2.7	3,756	13.3	4,408	8.0	7,212	9.9	15,606	40.4	31,007	15.1
Park and Outdoor Recreation	2,526	17.6	6,429	22.8	11,249	22.2	11,685	16.0	4,109	10.6	35,998	17.6
Residence												
1-Family Detached	4	-	1,511	5.4	2,137	4.2	11,127	15.2	4,073	10.6	18,852	9.2
1-Family Attached	166	1.2	395	1.4	1,835	3.6	1,951	2.7	71	0.2	4,418	2.2
2-Family	60	0.4	1,160	4.1	4,254	8.4	3,778	5.2	463	1.2	9,715	4.7
Walk-up Multiple	1,904	13.2	1,535	5.4	3,642	7.2	2,423	3.3	190	0.5	9,694	4.7
Elevator Multiple	1,197	8.4	867	3.1	1,014	2.0	959	1.3	50	0.1	4,087	2.0
Total Residence	3,331	23.2	5,468	19.4	12,882	25.4	20,238	27.7	4,847	12.6	46,766	22.8
Business & Industry												
Commercial & Retail (1)	631 (2)	4.4	418	1.5	529	1.1	741	1.0	145	0.4	2,464	1.2
Light Industry	830	5.8	241	0.9	597	1.2	597	0.8	105	0.3	2,370	1.2
Warehouse & Storage Yards	88	0.6	150	0.5	341	0.7	247	0.3	63	0.2	889	0.4
Automotive	269	1.9	300	1.1	488	1.0	471	0.6	83	0.2	1,611	0.8
Heavy Industry	126	0.9	482	1.6	1,524	3.0	1,346	1.8	1,183	3.1	4,661	2.3
Total Commercial and Industrial	1,944	13.6	1,591	5.6	3,479	7.0	3,402	4.5	1,579	4.2	11,995	5.9
Public & Private Institutions	1,141	8.0	2,130	7.6	2,092	4.1	4,084	5.6	2,654	6.9	12,101	5.9
Transportation	345	2.4	840	3.0	1,827	3.6	6,652	9.1	710	1.8	10,374	5.1
TOTAL NET AREA	9,672	67.5	20,214	71.7	35,577	70.3	53,273	72.8	29,505	76.5	148,241	72.4
Mapped Streets	4,662	32.5	7,965	28.3	15,056	29.7	19,866	27.2	9,086	23.5	56,635	27.6
TOTAL GROSS AREA	14,334	100.0	28,179	100.0	50,633	100.0	73,139	100.0	38,591	100.0	204,876	100.0

(1) Does not include store space in ground floors of building having other predominant land use.

(2) Includes 228 acres of land occupied by office buildings.

SOURCE: Sanborn Map Company

With such a scarcity of vacant land available for development in New York City, outside of Staten Island, the only possibility of increasing the supply of housing is by either cutting large apartments up into smaller units or by demolishing existing housing and building on the vacated sites. This can be accomplished only by encouraging owners, investors and private builders to participate in urban redevelopment. Only by improving the climate for real estate ownership and investment can owners be induced to improve and rehabilitate their property. Subsidies, possibly in the form of tax abatement, and Federal and State lending programs, can promote more participation on the part of the builders and investors in housing construction, particularly of the middle-rent housing. This form of housing should be erected in low land value areas and should replace sub-standard housing where slum conditions prevail.

The major factor in impairing our capacity to improve the quality of our housing stock is the great difficulty and expense of obtaining possession under rent control.

Land Costs

A study has been made of the post World War II trend in plottage sales in selected Manhattan residential locations. The results vary somewhat, depending on location. The mid-east section has sustained the highest residential land value increase, followed by the lower Fifth Avenue section. Prices on the west side of Manhattan in the area from West 59th Street to West 96th Street, Central Park West to the Hudson River showed very little disposition to rise until the Lincoln Square redevelopment took form and until the West Side urban renewal project was announced. There has lately been a flurry of sales activity in this area, with many possible residential plots offered for sale, but with little actual sales activity.

A special study was made of sales along 2nd and 3rd Avenues between East 62nd and East 79th Streets, as being an area with the most comparability to what is visualized for the West Side urban renewal area. Prices tripled on Second Avenue between 1946 abd 1959. Third Avenue enjoyed even a bigger boom, with prices more than quadrupling during the same period. (Tables 49 & 50).

By contrast, the West Side experienced no such boom. Land activity was principally in the West 57th Street area and very few sales were made in the upper West Side. Thus, the usual correlation between demand and land cost is evident. Prices are high and have risen significantly in the quality housing sections. Prices of building activity are low in other residential sections.

TABLE 49
SELLING PRICES OF APARTMENT PLOTTAGE
SECOND AVENUE, 66TH-72ND STREETS
1946-1959

LOCATION	YEAR	PRICE PER SQ. FT.
N/E/C 72nd Street	1946	$16.00
N/E/C 66th Street	1954	$27.00
Built Around N/E/C 69th Street	1954	$18.00
N/W/C 70th Street	1954	$16.00
S/E/C 71st Street	1955	$22.00
N/E/C 70th Street	1959	$37.00
West Blockfront - 68-69th Streets	1959	(Asking) $60.00

SOURCE: Brown, Harris, Stevens, Inc.

TABLE 50
SELLING PRICES OF APARTMENT PLOTTAGE
THIRD AVENUE, 62ND TO 77TH STREETS
1946-1959

THIRD AVENUE LOCATION	YEAR	PRICE PER SQ. FT.
1334-54 - S/W/C 77th Street	1946	$14.00
1111-29 - 65th & 66th Streets	1947	$13.00
1066-72 - N/W/C 63rd Street	1955	$23.00
1391-99 - N/E/C 79th Street	1955	$37.00
1270-78 - N/W/C 73rd Street	1955	$30.00
1260-68 - S/W/C 73rd Street	1955	$40.00
1059-61 - 62nd & 63rd Streets	1956	$42.00
1097-03 - 64th & 65th Streets	1958	$40.00
1039 - 61st & 62nd Streets	1958	$61.00
1041 - 61st & 62nd Streets	1958	$54.00
1043 - 61st & 62nd Streets	1958	$56.00
1045-47 - S/E/C 62nd Street	1958	$57.00
1135-37 - 66th & 67th Streets	1959	$125.00

SOURCE: Brown, Harris, Stevens, Inc.

V. MORTGAGE MONEY SUPPLY AND FINANCING AIDS:

Historically, as the center of finance and commerce, and as a city with a high average household income, New York has always been regarded as a capital surplus area. Both the supply of equity capital and mortgage capital has been ample. As deterioration and obsolescence increased in the core areas, however, the traditional conventional apartment lenders, the savings banks and insurance companies, started to export mortgage money to the suburbs. The savings banks also undertook the purchase in various other states at substantial discounts of blocks of V.A. and F.H.A. mortgages as an investment outlet for their growing savings. This produced a shortage of institutional mortgage money for the so-called "gray" core areas and accentuated the economic obsolescence of blighted sections. As the Dr. Chester Rapkin report indicated,(1) private mortgage money and secondary mortgage money became commonplace in these sections. The supply, however, was generally forthcoming for well located properties with relatively modern design and equipment.

Interest Rates

Manhattan interest rates have traditionally been somewhat lower than the balance of the country. Recently, however, the spread has tended to diminish almost completely, indicating that the lenders have found sufficient outlets elsewhere for their mortgage funds. The post World War II trend has been towards successively higher interest plateaus interspersed with periodic recessionary episodes in money cost. In the last decade interest on prime apartment house loans in New York has increased from 3½% - 3-3/4% to 5-3/4% and 6%. Average interest rates have increased from 5.187% to 5.75% in the period from January, 1954 to September, 1959. They are probably higher today.

At the moment, a relatively severe mortgage money shortage is in process. The principal cause is increased competition for funds from all sources, including the federal government, combined with a declining rate of savings increase. If classical patterns are followed, the shortage will ease by late spring or summer of 1960, and be followed by a slight recession in money cost, although again, the plateau will be higher than the 1957-1958 period.

Higher interest costs create the need for higher rents in middle income accommodations. Since high interest is seemingly an unavoidable long term consequence of full production and a weapon of monetary policy to mitigate boom excesses, the sponsors of apartment housing must anticipate higher debt service. This means that rents will be forced upward in middle income construction, principally Limited Profit and Redevelopment Companies Law housing, to the extent necessary to cover increases in debt service. For il-

(1) The Real Estate Market in an Urban Renewal Area by Dr. Chester A. Rapkin published by New York City Planning Commission, 1959.

lustration, an increase of ½% in mortgage interest will increase rents $1.50 per room monthly, or about $6.00 per month per 4 room apartment.

F.H.A. mortgage interest on Title II, Section 220 loans has just been increased to 5¼% and estimated rents must also reflect this increase, although F.H.A. is attempting to contain total debt service costs by altering the basis for computation of amortization.

What is the mortgage lenders' attitude towards urban renewal areas? Will a sufficient supply of mortgage money be forthcoming to finance the rehabilitation and new construction of fully taxable housing?

For example, it has been estimated that the West Side Urban Renewal redevelopment (clearance) sites alone will result in over $110 million of new construction. Over half of this sum will be for tax abated housing of the Limited Profit or equivalent type. The balance will be for conventionally financed or F.H.A. 220 fully taxable housing.

The Limited Profit Mortgage Corporation with potential funds of $300,000,000. consisting of 2/3's institutional funds and 1/3 state funds, can not provide enough money for this project and others out of current appropriations, and additional money must be subsequently committed by the state and private lenders if over the next 5 to 8 years, these units are to be built. The City of New York is also empowered to make direct mortgage loans and their contribution will be required as well if middle income housing needs are to be met.

Some moderate difficulty in arranging F.H.A. 220 and conventional financing on a tract the size of the West Side Urban Renewal Area is also anticipated. First, with over half the proposed units of the lower middle income type and with the feasibility of rehabilitation still an open question, lenders will ponder the extent to which the quality of the area will be upgraded. Then, increasing competition for mortgage money, especially after 1962, will tend to cause private institutional lenders to consider what they feel to be better alternative investment outlets. The inherent conservatism of mortgage bankers also may not permit them to visualize the transformation which will be wrought in the area. Also, with conventional apartment house interest rates at 5-3/4% - 6%, lenders will not be kindly disposed towards making F.H.A. loans at 5¼%. Faced with a choice between a 65% conventional loan in a sound east side Manhattan location at 6%, and an F.H.A. loan in any of the urban renewal areas at 5¼%, the decision will be obvious. It must be predicted that an adequate supply of mortgage money will continue to be a problem, although not insurmountable, and, over the entire period of redevelopment. Thus, the actual pace of redevelopment will depend on the annual mortgage supply which may be attracted.

Financial Aids to Investment

Never before has there been so much attention given in our housing history to financial assistance for builders, home-owners, & investors. For two and one-

half decades hardly a year has passed without the addition of another program designed to aid in the construction, rehabilitation, or ownership of housing. A property owner in Manhattan can look to many kinds of municipal, state, and federal legislative assistance in the financing of new buildings or the rehabilitation of existing dwellings, particularly in urban renewal areas.

Federal financing aid centers primarily around Section 207 (private areas) and Section 220 (urban renewal areas) of Title II of the National Housing Act, which was formulated for the purpose of encouraging private investment in new housing and the rehabilitation of existing residential structures. This section provides for F.H.A. insurance of mortgages on new apartment housing at 90% of the estimated replacement cost of land and improvements, with a maximum mortgage amount in the New York Area of $4,250 per room and a maximum interest rate of 5¼% on a self-liquidating basis for periods up to 40 years.

Section 220 also permits liberal F.H.A. insurance of mortgages on rehabilitated structures. For example, one- and two-family owner-occupied dwellings are eligible for F.H.A. insured mortgages to a maximum of $20,000 with modest down payments that generally ranged on a sliding scale from as little as three per cent to 12%, depending on replacement cost. Federally insured mortgages of $30,000 are available on three-family dwellings, $35,000 on four-family dwellings, and up to $9,400 per unit in elevator-type apartments. The mortgage loan-to-value ratio for non owner-occupany borrowers is 85% of the amount available to owner-occupants. It is assumed that these liberal terms provide a strong inducement to existing owners to rehabilitate, and offer an incentive to institutional mortgagees to advance mortgage funds, since each mortgage loan is fully insured by the F.H.A. Low equity requirements, coupled with periods ranging up to 30 years on self-liquidating mortgages should insure the economic feasibility of rehabilitation.

Another form of Federal assistance is provided by Section 213, Title II of the National Housing Act, which permits F.H.A. insurance of mortgages, for periods up to 40 years, on 90 to 97 per cent of the replacement cost of multi-family residential cooperatives, with a limit in the New York area of $4,250 per room. Under its provisions, tenant-stockholders, after moderate down payments, pay proprietary rent charges that are substantially less than the rental value of the dwelling units. Cooperative apartment living, with its amenities of home ownership in an urban atmosphere as well as its sought-after income tax deductions has become a popular form of housing in New York City. Many dwelling units of this type have been and will be increasingly constructed in the redevelopment sections of urban renewal areas. Legislation enacted in the 1959 Congress liberalized this program in many respects including, for the first time, F.H.A. insurance up to 97% of the appraised value on existing management-type cooperative apartments.

A further constructive source of financial aid exists in the Mortgage Facilities Corporation. This is the "pooled risk" mortgage lending organization created by the New York State Legislature in 1956 to facilitate the flow of mortgage credit to blighted, deteriorated or overcrowded areas, with primary emphasis on urban renewal areas. The capital stock of the Mortgage Facilities Corporation is held by 32 member institutional lenders. The Corporation is permitted to make loans of up to 80% of appraised value, on a maximum 20-year self-liquidating basis, for complete rehabilitation, new construction or home purchase.

Additional New York State legislation provides help in financing moderate-priced housing. This is the Limited Profit Housing Companies Act of 1955 (commonly referred to as the Mitchell-Lama Act), as amended, under which the State or a municipality may make direct mortgage loans to private developers of rental or cooperative housing on a 50-year self-liquidating basis at the same low interest rate that the State or municipality must itself pay to borrow the requisite funds on a bond issue. The act also permits the formation of a Limited Profit Mortgage Corporation, to which institutional mortgage lenders contribute two-thirds of the mortgage funds and the State one-third. Institutional lenders will make their share available on a 40-year self-liquidating basis at about 5½% interest, while the State's share is on a 50-year basis at 3½-4 per cent interest. Under this act, the mortgage is for 90% of the actual land and building costs and the developer's return on his investment is limited to six per cent. The low-cost loan is supplemented by tax assistance granted, in the case of New York City, by the Board of Estimate in the form of a tax exemption up to 50 per cent of the assessed valuation of the land and improvements. Thus, a combination of low debt service charges, tax abatement and limited equity return permits the construction of relatively low-rent housing for middle-income families. This legislation was designed specifically to help fill the rent void between the various forms of public housing and fully taxable private housing. To date, only cooperative housing has been built in New York City under this law. However, it is anticipated that rental housing will be constructed as administrative provisions relating to rent ceilings now in force are liberalized.

A recent amendment to the Limited Profit Housing Companies Act permits the developer to refinance the state or municipal mortgage loan after 15 years. The effect of this provision will be to restore the property to a fully taxable status and enable the developer to obtain a conventional mortgage after the 15 years have elapsed. Equally attractive to the prospective developer is the provision that he may retain the proceeds of the refinancing without the necessity of applying them against accrued property taxes. Also, in the event of resale, the developer may retain any realized capital gain. Thus, it is reasonable to conclude that a substantial proportion of Limited Profit Housing will be restored to the full tax rolls after 15 years.

In addition to the State and municipal mortgage funds that are available for Limited Profit tax-abated housing, the provisions of the Redevelopment Companies Law and of Article IX of the Public Housing Law with respect to Housing Companies which may be utilized as supplementary financial aids to provide the recommended proportion of moderate rental housing. Both these statutes permit partial tax abatement at the discretion of the Board of Estimate and limit the return on investment. Several large cooperative housing projects have been authorized or built in Manhattan in recent years under the Redevelopment Companies Act, among them Hillman Houses, Corlears Hook, Morningside Gardens and Seward Park. Institutional developers including fraternal societies, labor unions, hospitals, settlement houses, or insurance companies have been attracted to sponsor rental or cooperative housing in urban renewal areas under these statutes or the alternatives discussed above.

Mortgage Money Supply & New Construction

A combination of a more than adequate supply of mortgage money and the easy credit terms permitted under the various legislative acts described create an excellent climate for new construction. It cannot be said that the supply of mortgage money is impairing new construction. Our conclusion is that a definite "plus" factor exists on the supply side of the market for any soundly located housing. Liberalized F.H.A. administrative requirements which reduce the cash equity requirement for the builder on completion of an F.H.A. 207 or 220 project to between 3% to 5% also serves as an inducement. It is a somewhat sobering note that the new construction supply has been so small, in light of the mortgage money and financing aids available for use. Is this evidence of weakness, in the view of the builder, in the demand for accommodations? Is it more likely the lack of building sites in convenient locations? Is it the difficulty of obtaining possession of obsolete tenements under rent control? Is it the loss of qualitative demand as middle income families leave for the suburbs? Probably a combination of all these factors, plus others, have been responsible. At the heart of the problem is the diminishing high paying job opportunities in Manhattan and the impact of residential decentralization. Both have reduced qualitative demand.

Another factor, not quite so evident in statistics, is the attitude of mortgage lenders towards the Manhattan housing market. Most compete actively for loans in the highly regarded residential sections. All shun loans in deteriorated or slum areas. Many are strongly for upgraded urban renewal areas, as Washington Square Village, and hope to see conventional financing utilized more extensively. Many, however, have reservations about making extensive F.H.A. 220 mortgage commitments in urban renewal areas where uncertainty exists about the character of the upgrading to be achieved.

GOVERNMENTAL PARTICIPATION IN MANHATTAN HOUSING

GOVERNMENTAL PARTICIPATION IN MANHATTAN HOUSING

I. RENT CONTROL:

In our prefatory comments, it was observed that one of the factors that makes the Manhattan and New York City housing market unique is the continuing existence of rigid controls on all rental housing constructed before February 1st, 1947. Based on the 1940 U.S. Census enumeration, it has been estimated that there were approximately 635,000 dwelling units in Manhattan at the time controls were imposed. Net increases since that time, as pointed out elsewhere, have been negligible since demolitions and conversions to non-residential use have almost cancelled out the amount of new construction. In any event, a high proportion, probably 90%, of Manhattan rental units are still rent controlled.

What effect does rentcontrol have on both the supply of and demand for Manhattan housing? What effect has rent control on the redevelopment and renewal of urban renewal sites? On what basis, if any, can we anticipate the removal of controls? What will the removal of controls mean for tenants and investors in Manhattan residential properties?

The Historical Background

What are the facts, from an economic viewpoint, about rent control? Can we assess the economic ramifications of rent control from the vantage place of history? A brief review of market conditions and the circumstances under which rent control was imposed will serve as a necessary prelude to a full discussion of the topic.

The depression of the 1930's, intensified by a significant oversupply of housing and commercial realty, plunged real estate prices to inconceivable depths. Forced sales, high vacancies, cessation of construction, infrequent sales - all the indicators of a distressed market were present. Slight relief was felt in local areas as defense needs in 1939 to 1941 increased employment and purchasing power, and as available space was gradually absorbed.

The advent of the war in 1941 resulted in economic and sociological dislocations which, in light of the lack of construction in the previous decade, gradually produced an increasing shortage. At the time controls were imposed, however, real estate had by no means made a complete recovery from the depression. Although vacancies had decreased, rents were at abnormally low levels. Controls were imposed in most sections of the country before they were needed and in advance of full occupancy; under such circumstances, rents had no chance of rising.

That controls of some type were advisable during the war can scarcely be argued. Their continuance for 17 years after the termination of hostilities leads inevitably to a different conclusion, when viewed from the perspective of history.

Long-Term Implications

The outstanding effect of continued rent ceilings has been the growing viewpoint of the municipality and the tenant that rent control is an essential and necessary peace-time function of our democratic system. The residential real estate market has assumed all the characteristics of a public utility with seemingly permanent rent ceilings, indirect regulation of the rate of return, control of building operations and maintenance standards. With a consequent loss of the advantages of a relatively free and competitive enterprise which has heretofore produced a standard of unparalleled housing.

Present rent restrictions make it difficult if not impossible to obtain an economic rent. Thus, since the public fully appreciates bargains where every dollar of rental value received only cost them $0.60 to $0.75, the shortage is intensified, rather than alleviated. There never will be any appreciable diminution in the demand for a commodity which rents for less than its market value.

The stultifying nature of the prolongation of controls has also discouraged, particularly in the immediate post World War II years, new production of conventionally financed (i.e., non-government underwritten or financed) residentials apartment because of the widespread and uneconomic disparity between rents resulting from governmental restraints on used realty and those rents necessary to justify highly inflated post-war construction costs. There is no "floor" on new construction rentals - only a bottomless well between rent controlled and free market rentals. Had rents on used realty been permitted to seek their proper market level, the incentive to builders would have increased. After 17 years, builders are still reluctant to compete with the rent controlled market.

Another result of the continuance of controls has been the withdrawal from the market of untold numbers of rental units because of the complete inadequacy of the interest return. Particularly in Manhattan, space designed for residential use has steadily been converted to business and commercial use (where local zoning codes permitted) as a means of insuring the owner a fair return on his investment. In other areas, rented homes were sold for owner-occupancy because the investor could not realize an equitable return. Thus controls again tended to intensify the shortage by reducing the supply of housing units available for rent.

Certainly the continuance of rent control has accelerated the physical depreciation of existing realty. If an investor feels he cannot obtain sufficiently high market rentals because of the control imposed on his gross income, he nevertheless will make an effort to obtain the net income to which he feels he is entitled by simply failing to maintain the property. A portion of the income which under the stimulus of competitive rental conditions would have been committed to prudent maintenance and operation is instead allocated to the investor's yawning pockets. Since rents below economic levels will insure full occupancy, the investor does not have to maintain his real estate by any standards except his own. The inevitable consequence is physically dilapidated housing with a high degree of depreciation and heavy evidences of deferred maintenance.

Although the owner can escape certain expense burdens under rent control, there are expenses that reoccur and cannot be avoided. Taxes, fuel, wages, insurance, electricity and gas, supplies, water and major repairs will at the least remain constant and, under the impact of inflation, rise to discouraging heights. Whatever benefits have accrued to owners through 100% occupancy have in general been more than vitiated by the sharp increase in operating expenses.

Rent control has also resulted in a somewhat artificial increase in the rate of family formation. Rents are so far below economic levels that many families can afford to maintain the luxury of two apartments when at economic rents they could afford only one. Other families of one or two persons are living in large units which they could not otherwise afford if it were not for benign protection of government controls. This seemingly paternalistic attitude on the part of government is actually decreasing the supply and depriving many families of residential space which would become available to them in a free market.

Prices of all other commodities have far outstripped the increase in rents and prices of rent controlled real estate. The long-term real estate investor thus joins the other investors who are being penalized by inflation - the bondholders, insurance policy holders, pensioners and all other living on long-term fixed incomes.

Proposed Solution

Does a Manhattan housing "shortage" actually exist? The answer, after reflection, seems to be in the negative. What really exists is fewer housing units than is demanded at existing prices. It is relatively simple to create a shortage of any commodity by the device of lowering the price to less than it would be established by the working of supply and demand in the market place. If we now increased rental ceilings of all units, say, 30% over present levels, it is suspected that the "shortage" would disappear. Within a year, apartments at every conceivable price level would be readily

available. And the tenant, what would happen to him? Recent surveys indicate that urban residential dwellers are paying less than 10% of their income dollar for rents. Thus, if we supposed a 50% rather than a 30% increase in rent, it would increase the tenants' allocation for rent from their income dollar to only 15%, an amount which any sociologist would readily admit can easily be paid for housing shelter. Thus, the "shortage" is an illusion created by artificially low prices.

What is the solution? As it is recognized that an immediate complete decontrol would provoke some hardship, a possible compromise exists in the adoption of a long-range, orderly program of decontrol extending over a two-three year period. During this interval statutory rents should automatically rise 5% at six month intervals. Concurrently, the so-called "luxury" controlled rentals, that is, those above $50 per room monthly could be decontrolled. At succeeding six month intervals, increasingly lower rental levels should also be decontrolled until only the lowest rentals would remain to be freed from controls at the end of the two-three year period.

What would be the market reaction to a program of this type? Those tenants who for years postponed a decision to buy private dwellings or move to more expensive apartments because of their low controlled rents would have ample opportunity to make a decision. Other tenants would decide to remain in their present quarters at the higher rentals. Still others would find smaller or more modest apartments within their financial reach if free market rentals proved onerous for them.

Free Market Conditions

What a boon for Manhattan and New York City housing if this course was resolutely followed! For the first time, the builder could effectively assay demand and adjust his construction accordingly. The spurs of competition would force better maintenance and the landlord would exert every effort to attract tenants. The builder would produce better dwelling units. The tenant would be settled in housing he could afford and not necessarily that which he desires. The tragic waste of space under rent control, as previously reported, would be eliminated completely. There would be, for example, no logic in living in six rooms beyond one's rental reach when a fair choice of three rooms within one's income requirements was available.

Of vital importance to the City, if controls were removed, minority groups as Puerto Ricans and non-whites, would have a better choice of housing in all areas. The Puerto Rican family, instead of being crowded into a single room for which they pay $15.00 a week, could obtain a 3-room modest unfurnished apartment for perhaps $60.00 a month. Low income and minority groups stand to gain more from a termination of controls than all others: they have been discriminated against in their search for low rent controlled apartments. Without

controls, a better supply in all rent ranges would be assured and low income rent dwellers could burst forth from the sociological ghettos in which they presently reside. In the process, the sociologically indefensible practise of families living in one room could be effectively eliminated by the city.

The difficulty of obtaining possession of obsolete, dilapidated rent controlled tenements for the purpose of erecting new apartment housing has undoubtedly impeded the supply of new housing. It takes from nine months to a year or longer plus stipend payments to induce tenants to relocate, before possession may be obtained. This is certainly a poor climate for the builder and undoubtedly inhibits new construction.

Conclusions

Manhattan can never effectively eliminate blight and slums while rent controls remain. Controls inevitably induce further obsolescence and deterioration than would be the case in a free market. Tenants with the financial capacity hesitate to move to better, newer accommodations because of the bargain they are enjoying. Builders have difficulty in obtaining possession and tenant relocation has been a problem. This impairs supply. Manhattan cannot stop the inevitable process of decay in its core areas under present conditions. Urban renewal cannot successfully attain its objectives unless there is a return to the operation of the free market. Only then can we relocate tenants and only then will new construction increase to the extent necessary to salvage the central city areas. Only then can it be effectively determined how much public housing and tax aided housing is actually required to serve the public interest.

The present combination of an influx of insufficiently educated, low income families, plus the deferment of essential maintenance by owners and lack of enforcement of municipal codes relating to real estate - all have helped to create slums and blight faster than the municipality can salvage them.

II. PUBLIC HOUSING PROGRAMS:

Historical Background

From 1936 to 1956, 397,231 publicly owned low-rent housing units were added to the nation's housing inventory, of which a large portion was erected in New York City. This housing was constructed, owned and operated by government bodies under federal, state and municipal legislation. Such public ownership represents a revolutionary change in the country's thinking with respect to ownership of real estate. It is no longer considered a matter of private rights and private responsibility to provide an adequate supply of housing. Now the public, through its various governmental institutions, is charged with filling the alleged gap left by private enterprise. The change in attitude arising out of the great depression occurred some 23 years ago when, in order to assure decent, safe, and sanitary dwellings for low-income families in the United States who could not be

provided with such housing at rents they could afford by private owners, Congress passed the Housing Act of 1937. This law was designed to provide financial aid to local communities who would construct and operate low-rent housing developments. Under this act and subsequent amendments, the federal government provides assistance in the form of loans and annual subsidies as an inducement to keep rents low. In turn, the municipality finances the initial cost of construction by selling tax-exempt bonds on the market to private investors and then builds and operates the projects in conformity with the federal law.

Some of the requirements of the federal law are that the city must exempt the property from all real estate taxes (although the housing authority, in order to offset this tax loss somewhat, must make an annual payment of an amount up to 10% of the annual rentals from the housing in lieu of taxes, a payment which in some instances has been greater than the taxes previously paid on the site); upper rent levels must be kept at least 20% lower than the lowest rent paid for privately-owned unsubsidized housing; the annual incomes of all families living in the public housing, after certain allowed deductions and exemptions, must be limited to not more than five times the annual rent; and the city must restrict the construction cost of this low-rent housing. Under this federal low-rent housing program, the rents in public housing projects in New York City had ranged from a minimum of $25.50 for a two-room apartment to $34.50 for a six-room unit and to a maximum of $63 for a post-war two-room unit ($50 in a pre-war development) to $85 for a post-war 6-room unit ($75 in pre-war units) by the beginning of 1959.

In addition to this federally aided low-rent housing, New York State in 1939 enacted legislation authorizing a similar program of housing for low-income families which was to be assisted by state loans and state granted annual subsidies. This program also provided for restrictions on construction costs, family incomes, and rents charged for the housing. New York City, too, embarked on a program in 1947 designed to supply housing for those families caught in the gap between the highest family income eligible for state or federally-aided low-rent housing and the lowest incomes for which private builders could supply housing at present cost levels. Under the New York City program no cash subsidy is authorized but partial tax exemption is granted in which taxes are paid on the basis of the assessed valuation of the property at the time of acquisition. The object is to schedule rents to meet all operating expenses and debt service charges. Minimum rentals in 1958 ranged from averages of $18.27 per room in projects built between 1947-1955 and $21.88 per room (including utilities) in projects built since 1955. Current construction will bear rents as high as $26.00 per room.

All the housing constructed in New York City under these three programs is under the managementand supervision of the New York City Housing Authority. The total assets of the New York City Housing Authority (the major portion of which comprises the value of the

Authority's housing projects) at the beginning of 1958 stood at $1.2 billion. At this time there were 96,515 tenants residing in 86 housing projects.(1)

Public Housing Construction

From 1936 to 1941, 49 publicly-owned apartment buildings containing 3,641 rooms were completed in Manhattan. Between 1947 and 1958, 223 buildings with 17,038 rooms were constructed under public housing programs. As of May, 1959, there were an additional 60 publicly owned apartment buildings containing 6,429 units under construction and another 66 with a total of 11,234 rooms pending construction and many more still on the drawing boards. It is anticipated that within a few years, the Authority will house over a half million people. This is over 6% of New York City's population. The percentage of public housing is far higher in Manhattan at 13%

TABLE 51
CONSTRUCTION OF PUBLIC HOUSING PROJECTS IN MANHATTAN
1936 - May, 1959.

YEAR	BUILDINGS	UNITS	ROOMS
Total Constructed	398	76,977	342,909
Completed 1936-1941	49	32,321	146,923
Completed 1947-1958	223	26,993	124,162
Partially constructed and Under Construction, May, 1959	60	6,429	29,822
*Pending Construction	66	11,234	42,002

* Does not include future and planning projects

SOURCE: The Real Estate Board of New York, Inc., Research Dept. Apartment Building Construction Manhattan 1902-1953, Supl. No. 5, 1947-1961. May, 1959.

In New York City, construction of public housing has represented a large share of all dwelling units completed in recent years. Of the 60,207 3-or-more family units completed in 1956-1958, 25.7% was public housing. Manhattan had a similar pattern with 26.1% of the 22,310 units constructed for public housing purposes (Table 51). With 422,608 households in Manhattan having incomes of less than $7,000 and who, therefore, from an income standpoint, would be eligible for apartments in some form of public housing under the various programs, the 77,000 units constructed since 1936 provides homes for less than one-sixth of this income group. The rest must be accommo-

(1) New York City Housing Authority, Public Relations Division, A Summary of the New York City Housing Authority's Activities in 1957.

dated in the housing market of privately-owned existing buildings or those privately constructed under some form of subsidy because rentals in the newly constructed, unsubsidized and uncontrolled buildings must, of necessity, be too expensive for this income level. Assuming that the 63,201 units that were demolished in the period between 1950 and 1958 were largely deteriorated low-rent units, there was a net gain of only 23,776 units at most for the low-income groups. Further demolition of low-rent dwellings must necessarily continue as redevelopment of slum areas takes place.

The apparent need for public housing has been distorted by the continuance of rent control. It is almost impossible to say at what point we have provided sufficient public housing when we are existing in a fragmented market, the bulk of which is at controlled rents. The filtering process cannot work as effectively in a controlled rent economy. It has become commonplace to confuse "need" with "demand". The former is what people desire; the latter is what they can afford. A systematic termination of controls would free a sufficient supply of apartments in all rent levels and assure a wide range of housing choice in which economists would estimate more precisely what number of subsidized public housing units actually serve the public interest.

III. MUNICIPAL CODE ENFORCEMENT:

Adequate maintenance designed to insure the health and safety of occupants of residential space is enforced through certain provisions of the Administrative Code of the City of New York and the Multiple Dwelling Law.

Code Enforcement in a Controlled Market

The problem of code enforcement in a rent controlled economy is one of the most crucial considerations in municipal government. The Department of Buildings, currently under-manned, does not have the staff to police fully even the most serious violations. Of even greater significance, it is virtually impossible to enforce strictly the housing and occupancy codes, since to do so imposes an intolerable financial burden on the rent controlled landlord. Even with the more enlightened administration of rent control which now prevails , the permissable rent increases are insufficient to enable the landlord to get what he considers a fair return on his additional capital cost. A further complication is the inability of the landlord to get increases for the correction ofcertain types of violations. For illustration, a violation on a masonry wall because of leaks means that an expensive tuck pointing job must be done, without rent compensation. In a free market, a landlord accepts this as a hazard of ownership but in a controlled economy, he feels it is unfair to saddle him with extraordinary expenses when he is forced to adhere to low rent ceilings.

It must be assumed that the municipal administration and the Building and other Departments are aware of the hardships which strict adherence to the codes would create for landlords, and that there is a disposition to tread lightly as a result.

The situation has been enormously complicated and housing conditions worsened in some sections because of the influx of low income uneducated elements in the city over the past decade. Unmindful of their obligations to the private real property of others, these relatively uneducated peoples have contributed significantly to the physical deterioration of these structures. Their disrespect for leased and public space has helped to produce an abandonment of maintenance by slum landlords. The dilapidation seemingly increases at a faster rate than our capacity to eradicate it.

Violations & Dismissals

A study has been made of trends in issued violations and dismissals over the past decade. There has emerged a disheartening picture of a 70% increase in annual violations over the 1950 figure, certainly symptomatic of blight and decay in central residential sections. Equally distresseing is the inability of the departments to enforce compliance. In the ten year period from 1949 through 1958, issued violations exceeded dismissals by 77,770 in Manhattan.

The current backlog of 100,000 violations is a matter of concern in the fight to eradicate or contain slum areas. What the statistics do not show, and what makes the picture more serious are the violations which are not of record. We would not be surprised if there were additional violations which could conceivably endanger the health or safety of tenants, that have gone undetected. This does not include minor violations involving painting, glass replacement, plaster repairs and similar conditions. On the contrary, conditions involving defective wiring, lack of ventilation for heating stoves, cracked masonry walls, leaking roofs, defective or absent sanitary facilities, accumulated rubbish and lack of fire escapes are to some extent unreported.

Basic to an enlightened housing economy with decent minimum health and sanitary facilities is the need to enforce against both landlord and tenant municipal codes, which will assure minimum housing standards even in blighted areas.

Physical dilapidation and economic obsolescence, more than functional obsolescence, create slums. Strict observance of the housing code will at least eliminate most of the physical deterioration. In a competitive urban society, it is almost impossible to eliminate completely housing conditions which are disturbing and offensive to educated citizens. Thus, while blight must remain, slums can be eradicated by insistence on installation of heat, hot water, sanitary facilities and fire protection.

It would be unfair to the Department of Buildings to expect their undermanned staff to accomplish this objective while rent control remains. Use of the codes as tools of decent housing cannot be productively employed while rent controls remain. In the interim slums form faster than the city can uproot them and substantial families desert the city.

IV. SUBSIDIZED PRIVATELY SPONSORED HOUSING:

It did not take many years after the introduction of the federal and state low-rent public housing programs before a fact made itself undeniably evident to all concerned. Public housing programs were furnishing housing for the low-income groups and private builders were construction dwellings for the upper-income groups but the middle-income groups were completely left out of the housing picture. To remedy this shortage of housing in that segment of the population, various programs were developed to off-set this lack. There could, by this time, be little doubt that it was impossible for private builders to erect housing to rent at levels that middle-income families could afford to pay, and that some assistance must be devised in order to make it possible for builders to erect middle-income housing, and to rehabilitate already existing housing for this group. Programs developed with this end in view include Title I of the Housing Act of 1949, as amended, on the federal level (discussed in another section of this report) and the two New York State Housing Companies Acts and the Redevelopment Companies Act.

Limited Dividend Housing Company Act

The first of the Housing Company Acts, the Limited Dividend Housing Company program was enacted by the New York State Legislature in 1926. The law provides for a subsidy to private investors in the form of partial exemption from real estate taxes. Housing is financed with private funds, either conventional or F.H.A., and must be offered at moderate rentals to middle-income families without a cash subsidy. The assessed valuation of the site prior to development is fixed as the basis for taxation, while the value created through the new improvements is tax exempt. The tax exemption granted by the municipality may not extend over a period exceeding 50 years although up to the present time it has not been necessary to grant an exemption for longer than 30 years. After the expiration of this period, the housing project must pay full taxes on the same basis as all other buildings in the community. In addition, Limited Dividend Housing receives exemption from such state taxes as franchise, organization, income and mortgage recording.

Returns on this type of housing are limited to 6% cumulatively on the equity invested and rentals are set to meet this requirement. The projects, even though privately operated, are under the supervision of the State Housing Commissioner and builders

must agree to submit to this supervision as well as to limit their construction profits. Average rents per room range from $13.52 to $19.08 monthly including utilities, depending on the location of the development and the year in which it was built. The first project to be constructed under this program was the Amalgamated Housing Corporation in the Bronx which is a cooperative with 1,433 units. Eastchester (so far the largest cooperative development under this program with 2,226 dwelling units), Knickerbocker Village, Hillside and Boulevard Gardens (all rental projects) were constructed in New York City under this program.

A total of 4,814 rental units and 6,331 units in cooperative projects had been erected in New York City under this program by April 1, 1959. These 11,145 dwelling units were contained in 17 individual housing developments having various sponsors, including union and fraternal organizations. Under the Limited Dividend program, there were 1,674 rental units completed by the first quarter of 1959 and 236 cooperative units erected in Manhattan.

Limited Profit Housing Companies Act

The second of the two Housing Company Acts was the Limited Profit Housing Companies Law (Mitchell-Lama Act) which was enacted in 1955. In response to the swelling hue and cry for public action to alleviate the plight of middle-income groups with respect to housing from citizens groups and the public press, this program was designed to encourage the construction of housing for that income group. The new law provided for direct loans to housing companies by either the state or a municipality. These loans are secured by first mortgages and can be made in amounts up to 90% of the total actual project cost amortized over a period of 50 years. An equity of at least 10% must be provided by the rental housing company or cooperative which must also agree to limit their return to a maximum of 6%. Building profits are limited in the case of the Limited Dividend program. The law authorizes the creation of privately sponsored housing companies under public supervision. These companies may be either those which build and manage rental properties or those which build and manage housing cooperatives. The permanent mortgage loan is made at the same interest rate paid by the State or Municipality for the money it borrows plus a proportion of the cost of borrowing; therefore, the rate has recently fluctuated around 3½-4% depending on the market for long-term municipal or State bonds.

The purpose of the Limited Profit Housing program is to provide housing for lower-middle-income households whose incomes are above public housing limits and for whom private builders cannot provide housing at rents they can afford. Average monthly room rents and carrying charges now range from $22.00 to $29.00, excluding utilities. By law, the annual income of the adult wage earners of the family, plus a proportion of the income of the employed minors, cannot exceed six times the rent, or for families with three or

more dependents, seven times the rent. In actual practise, administrative income limits on admission have been set at levels substantially lower than the legal limits.(1) The subsidy comes in the form of tax abatement under which a municipality may exempt a portion of the value of either rental or cooperative projects built under this law from local real estate taxes for a period not to exceed 30 years. This exemption can be for no more than 50% of the value of the completed project, including land and buildings.

Since this law was enacted in 1955, in New York City there had been 7 projects, involving mortgages of about $35 million approved by the State Division of Housing as of the end of 1958 and 960 dwelling units had been completed by April, 1959. Although none was completed in Manhattan up until the early part of 1959, one (Inwood Terrace) was under construction and another (Inwood Heights) was in the planning state.(2) The approval by the voters of an additional $100,000,000 in a referendum held in November, 1958 made many more loans possible under this program.

This act has been a complete failure to date in its purposes. Only three rental projects outside New York City and one in Manhattan have materialized; all the rest have been cooperatives. The act requires substantial changes before builders will be induced to invest substantial sums in rental housing. Recommendations for changes made to Governor Rockefeller's Housing Task Force by responsible housing experts have not been adopted. It remains to be seen what real use Manhattan will obtain from this act except for a few cooperatives. Down payments of $1,200 to $2,000 are frequently beyond the means of families in the lower middle income groups. Other families prefer to rent rather than to own.

It may be fairly said that at the present time the act has been of little help in solving Manhattan's housing problems.

Redevelopment Companies Act

A third program involving subsidization of private developers, the Redevelopment Companies Act, was passed by the New York State legislature in 1943. The provisions of this law enabled the establishment of corporations regulated as to profits, dividends and disposition of property. In return for this regulation they are granted partial tax exemption and the power of condemnation. A good part of the middle income housing erected in Manhattan in recent years has been constructed under this program. Two of the largest and most widely known housing projects in Manhattan are included in this group -- Stuyvesant Town constructed by the Metropolitan Life Insurance Company and the Corlears Hook Houses constructed by the International Ladies Garment Workers Union. There have been 11,886

(1) State of New York, Division of Housing, The Housing & Neighborhood Renewal Tool Chest, January, 1959, pg. 47.
(2) New York Department of City Planning, 1959.

new dwelling units erected in New York City as a result of the program, primarily in Manhattan where the need for middle-income housing is so great. Stuyvesant Town, one of the first of the projects to be erected and certainly the largest contained 8,755 rental units. The two most recent of the Redevelopment Companies Law projects are Morningside Gardens, containing 972 units, and Corlears Hook Houses with 1,670 units, both cooperative apartment developments. These two were undertaken in connection with Title I redevelopment projects and so received the benefit under that program of acquiring the land at the marked-down reuse value as well as the advantage of the partial real estate tax exemption of the Redevelopment Companies Act.(1) There were an additional 7,526 units in the planning stage for New York City in January of 1959, only 159 of these to be constructed in Manhattan.

Altogether there have been 12,704 dwelling units completed under these programs based on the subsidization of the private investor. In view of the large number of demolitions of middle-income housing in connection with the construction of new luxury housing and the redevelopment of many areas under Title I, these additions to middle-income housing have done very little toward satisfying the demand for housing at this rent-level, especially when it has been estimated that there were 384,605 families (65.0% of all families in Manhattan) with incomes between $4,000 and $10,000 at the beginning of 1959.

V. TITLE I HOUSING:

Title I of the Housing Act of 1949, as amended, has been the primary weapon of the large urban municipality in fighting blight and slum. With the Federal and state governments paying 5/6ths of the difference between acquisition cost and resale value of the cleared land, the expense of urban redemption for the city is minuscule. The extent to which New York City is prepared to invest on this basis is only limited by the availability of state and federal subsidy funds.

The Record

As contrasted to the balance of the country, New York City has had an impressive history of accomplishment under Title I, with Manhattan the principal beneficiary. In the last four years, in Manhattan, twelve projects with 11,175 units have been completed or are close to completion. Six other projects with 6,479 units are under contract and at least six others are in planning. In addition, the West Side Urban Renewal project, now in final planning, will ultimately house 14,000 families in new, conserved or rehabilitated housing in a twenty block area. In the next decade, it would not be unexpected if a total of 50,000 dwelling units were constructed or rehabilitated under this legislation.

(1) New York City Dept. of City Planning, Newsletter, Sept. 1959.

This will be equal, together with previously completed projects, to 10% of the existing Manhattan housing inventory and would help immeasurably in coping with the existing blight and slums.

The total construction in the outlying boroughs has been less than half of Manhattan's Title I rate. Two projects in Brooklyn and two in Queens providing about 6,500 units are under construction. 4,300 units are in planning. It is apparent that the worst slums exist in Manhattan and that strenuous efforts are first being made to root out the worst of it in the core area.

TABLE 52
GOVERNMENT ASSISTED HOUSING
Construction of Title I Urban Redevelopment
Completed, For Completion, Under Contract, In Planning & Future
In Manhattan 1956-1961

Status	Type	Year	Number of Bldgs	Number of Units	Number of Rooms
Total			64	31,288	87,246
Completed			22	6,419	23,723
ILGWU Village	Co-op	1956	4	1,672	7,307
Columbus Circle	Rental	1957	2	608	2,000
Delano Village	Rental	1957	3	767	2,497
Morningside Gardens	Co-op	1957-58	6	990	4,457
Lenox Terrace	Rental	1958	3	858	2,794
Park West Village	Rental	1958-59	3	858	2,522
Washington Sq. Village	Rental	1959	1	666	2,146
For Completion			12	4,756	15,946
Delano Village	Rental		2	514	1,666
Kipps Bay Plaza	Rental		2	1,120	4,560
Lenox Terrace	Rental		3	858	2,794
Park West Village	Rental		4	1,664	4,832
Washington Sq. Village	Rental		1	600	2,100
Under Contract			19	6,479	22,495
Delano Village	Rental		2	514	1,660
Lincoln Square	Co-op		1	420	1,909
Park Row	Rental		1	400	1,890
Penn Station South	Rental		10	2,817	9,000
Seward Park	Rental		4	1,728	5,936
Washington Sq. Village	Rental		1	600	2,100
In Planning			11	11,704	25,082
Battery Park	Rental		N.A.	815	N.A.
Cooper Square	Rental		N.A.	1,800	N.A.
Gramercy Park	Rental		N.A.	1,355	N.A.
Lincoln Square	Rental		6	4,000	16,000
Park Row	Rental		1	400	1,890
Riverside Amsterdam	Rental		N.A.	1,630	N.A.
Seward Park Extension	Rental		4	1,704	7,192
Future			-	1,930	-
Division St	Rental		N.A.	500	N.A.
Mid Harlem	Rental		N.A.	1,430	N.A.

SOURCE: Mayor's Committee on Slum Clearance, Dept. of City Planning.

The Objectives

What is the purpose of Title I? Some feel it is only to construct upper middle and luxury income housing on a fully taxable basis. Others visualize it as a a device to obtain bargain priced land at the expense of the federal and state government for the exclusive purpose of erecting low rent, tax subsidized housing for low income families.

The probable purpose should be far more flexible and adaptible than either extreme viewpoint cited. The character of housing to be erected on a Title I site should depend entirely on the relative desirability of the tract and environment. In general, expensive central city land should be planned whenever possible for fully tax paying housing at whatever rents the market is willing to pay. In instances in which the Title I site already is contiguous on at least one side to a sound use, this type of upgrading is feasible. The outstanding example of this has been Washington Square Village, contiguous to New York University and only one block from Washington Square. This imaginative and handsome group of 2,000 dwelling units in three buildings is conventionally financed, fully taxable and reportedly rents for about $70.00 per room per month. It would have been against the city's best interests to have encouraged low rent, tax subsidized housing in this location.

The Coliseum convention hall, office building and apartments at Columbus Circle are other illustrations of the literal wonders which Title I may achieve, and with substantial tax revenue increases for the city.

On the other hand, certain locations, surrounded by modest other housing, inconvenient to transportation, or lacking in some way in environmental desirability, may only be developed with tax abated cooperative and rental housing since the market would not stand for high rent properties. Delano Village, I.L.G.W.U. Village and Lenox Terrace are illustrations.

The West Side Urban Renewal area, because of size, the retention of the grid street system and the emphasis on renewal rather than redevelopment, lends itself to a variety of new housing types, thus achieving a degree of economic integration. This project is so well located, however, that every effort should be made to protect against an undue amount of tax aided housing. The problems of Manhattan housing cannot all be solved by pouring low rent housing into its twenty blocks. Not only will tax revenues fall, but more important, the balance of the area will prove less attractive to those tenants who can afford to pay economic rent. Fewer substantial families with children will be tempted to locate here. Less inducement to suburban households to relocate in the city can be expected.

It is difficult to effectively deny the place of tax aided new residential construction. It does not, however, belong in any great degree in expensive central city areas. This tax aided housing should generally be used where upgrading is impossible. It, for example, can be used in deteriorated and slum areas in surrounding boroughs, as the lower east Bronx and Williamsburg, Brooklyn. Portions of Harlem, Chelsea and the lower east side are obvious areas where tax aided housing is required.

If this program were resolutely followed, our household population would be for better balanced, with families who could afford to do so living in the premium locations and lower income families in other locations.

The Future

The physical pace of new construction under Title I is limited first by the availability of federal funds. It is questionable, however, whether an unlimited supply of federal money would cure Manhattan's housing ills under present political pressures for cheap housing in expensive sections.

What is required is the application of imagination in the planning of Title I projects so that those households who contribute the most in productivity and income to Manhattan's vitality will desire to live in Manhattan. Cannot project areas be selected where upgrading can be achieved and slums eliminated in the process? Cannot architects and planners conceive residential uses that will broaden the market for Manhattan housing to the entire metropolitan area? Can political pressures for 100% subsidized housing in urban renewal areas be withstood?

If these questions can be answered affirmatively, there can be no question that Manhattan can reverse the downgrade in its housing market. It also, of course, would require concurrent liberalization, if not elimination of rent control and strict code enforcement.

The multiplier principle would effectively begin to operate. With each decent project, the market for Manhattan housing would be broadened. Quality demand would gradually increase. Private iniative would then begin to obtain sites adjacent to good projects and improve them with new buildings. It is not either impractical or unrealistic to visualize an actual revival of interest in Manhattan as a place to live over the next decade, provided the planning can be done in a statesmanlike manner. Otherwise, while it is always possible that some improvement in Manhattan housing can be achieved in spite of faulty planning, certainly the degree of accomplishment would be far less.

INVESTMENT TRENDS IN MANHATTAN HOUSING

Sales Volume

The high point in the number and dollar volume of Manhattan sales activity occurred in 1945 and 1946 when 13,645 properties were sold for a total consideration of over a billion dollars. Thereafter, a significant decline in number and dollar volume ensued, reaching a low in number of sales in 1957. Statistics for the first six months of 1959 reveal a sharp increase in number and dollar volume, according to statistics of the Real Estate Board of New York, Inc.

TABLE 53

TOTAL SALES, CONSIDERATION, OF REAL ESTATE IN MANHATTAN: 1945 - 1958

Year	Number of Sales	Total Considerations
1945	5,852	$432,848,201
1946	7,793	608,961,888
1947	4,179	333,149,947
1948	3,673	315,669,615
1949	2,891	251,978,830
1950	3,439	353,342,840
1951	3,239	308,623,323
1952	3,171	321,806,638
1953	2,869	323,178,479
1954	2,886	299,206,153
1955	3,375	368,878,861
1956	2,851	307,071,601
1957	2,437	252,715,395
1958	2,461	214,316,332
NOTE:		
1958 (6 months)	1,116	104,556,726
1959 (6 months)	1,705	196,303,037

SOURCE: Real Estate Board of New York, Inc., Research Department, MANHATTAN REAL ESTATE OPEN MARKET SALES, Second Half, 1958.

The 1959 increase, on examination, is directly attributable to the large number of walk-up (principally tenement) apartments that have been sold in a burst of speculative fervor. The average selling price of $90,000 indicates that smaller apartment properties, probably including many assemblages, have been commonplace. Sales have also been influenced by the condemnation of many properties for urban renewal

purposes. Most of these have been the walk-up tenements referred to in Table 54. The high concentration of sales activity in this type of property is regarded as a favorable factor. It is a sign, for one, that the pace of supply is quickening. It is also expressive of a continuing demand. Last, it may be regarded as resulting in an improvement in the quality, if not quantity, of our housing inventory since new construction in time frequently follows the acquisition of these properties.

Price Trends

The course of prices may be measured in two ways. The first is to analyze the ratio of selling prices of residential properties to their assessed valuation. It is recognized that this is an imprecise technique since the same upward or downward movement in both selling prices and assessments would not show any change. Opposite movements would also provoke gross distortions. However, this deficiency can be offset by tracing the aggregate assessed valuations during the same period.

In a study of old law tenement sales and sales of all residential properties since 1952, it is apparent that prices have moved steadily upward but with a levelling off of the tenements in the last three years.

TABLE 54
RATIO OF SELLING PRICES TO ASSESSED VALUATIONS
MANHATTAN RESIDENTIAL PROPERTIES
1952-1957

YEAR	OLD LAW TENEMENTS		ALL RESIDENTIAL	
	No. of Sales	Ratio	No. of Sales	Ratio
1952	1,291	98.5	2,627	104.7
1953	1,032	99.5	2,333	105.8
1954	1,168	102.9	2,886	109.0
1955	1,344	118.1	2,749	120.8
1956	1,156	124.2	2,276	124.0
1957	1,007	124.6	1,955	127.5
1958	1,098	124.6	2,022	129.6

It is to be noted that the tenement sales were for lower ratios than all residential sales. It may therefore be presumed that the better class of residential properties sold for substantially higher ratios. All residential properties also showed steady gains while tenements seemingly have attained a plateau. The staticism in tenement prices may very likely be attributable to the increasing dilapidation and functional obsolescence with which these properties are afflicted, and arising principally from the influx into these neighborhoods of low income, uneducated households, which tends to accelerate depreciation and depress values. During this same period, assessed valua-

tions rose from 8.6 billion to 9.6 billion or 15%. Thus, despite increases in assessments, prices tended to rise at a faster rate.

Can these facts and conclusions be interpreted as evidence of strong investor confidence in the character and quality of Manhattan residential housing? While this may be a consideration, it is probably not among the principal motivations behind these price rises. The bulk of residential properties in Manhattan is rent controlled. This has great investor appeal despite the low return because of the low rents associated with controls, the prospect of increases and the conservative investment position. Then, Manhattan (and the entire New York metropolitan area) is a capital surplus center, with vast accumulations of equity capital. There is a natural disposition for people with money to invest it locally. Also, many of the sales reflect acquisitions for public housing and Title I housing projects and thus may not be regarded as wholly voluntary transfers. Last, the fear of inflation has driven many investors from fixed income investments into equity investments in real estate where there is some chance of increases in income. No doubt the typical investor regards these properties as stable investments. This is not primarily because they are in Manhattan but because they are rent-controlled.

Rates of Return

Another device which may be utilized to measure price trends is in the movement of over-all rates of return, that is, the ratio of net income, free and clear of mortgage debt to selling prices. Also of significance is the trend of equity returns, the ratio of equity income (after debt service charges) to the cash investment. Generalizations, of course, may not apply to every location and every property type but some valid conclusions may be noted.

If we assume that the assemblage of a composite rate (consisting of interest, amortization and the equity return) provides a fair clue to the over-all rate of return, any increase or decrease in the components affects the over-all rate. With the attainment of successively higher mortgage interest plateaus in the past decade, there has been upward pressure on the over-all rate of all free market properties. The most significant exception has been rent-controlled properties. These have absorbed higher debt service charges without any discernable increase in the over-all rate of return.

What has been most confounding and perplexing is the seeming absence of any symptomatic percentage increase in equity returns proportionate to increases in mortgage interest. Ordinarily, one would think that a relative shortage of mortgage capital would indicate a relative shortage of equity capital. After all, money springs from the same source. This has not, however, proved to be the case. Despite mortgage interest increases and over-all rate increases, equity returns have thus far generally held firm and in some instances actually declined. Thus, prices remain firm or tend to rise.

In addition to the supply of capital, the question of leverage must be considered - the capacity of the available net income to absorb higher mortgage interest without increasing the risk for the equity holder. One would think that this alone would create upward pressure on equity rates since equity income is residual after mortgage charges.

A very contradictory condition has gradually arisen in our real estate market. Over the last eight years, rising mortgage interest rates and declining equity returns have reduced the spread between the two yields to an abnormally slim margin. A similar long-term narrowing of the spread between bond and stock yields is also evident. Can we therefore conclude that real estate equity returns will increase and prices decline?

The immediate, short-run answer seems to be, No. If not, why not? Five reasons predominate:

1. The entrance of the small investor into the real estate market through the syndication of large and small properties has flooded the market with equity capital. This has had a depressing effect on equity yields. Highly competitive bidding has forced up prices and lowered equity yields.

2. Concurrently, the rising costs of land (again influenced by syndicate participation) and rising inflationary construction costs have necessitated higher rentals. These new construction costs have made the rentals and original constructions costs of buildings completed a few years ago seem moderate by comparison. The contrast has been particularly bold in the last two years. Thus stable or declining equity returns are partially a reflection of inflated costs and the resultant need for higher rents in successive new construction.

3. The current relative mortgage shortage, although transitory, will bring supply-demand forces into a closer equilibrium. It will possibly force the postponement of a significant supply of new construction, particularly in the apartment house market. During this period, rents will firm and vacancies in new buildings will virtually be eliminated. This stability, however, transitory, casts a conservative spell over the market and helps to keep equity rates low. Thus, an absolute anomaly is created - an anomaly of higher mortgage interest, produced by a shortage of debt capital, reducing the supply, and stabilizing the market. As a result,

equity returns will show no change and, in the case of rent controlled properties, a tendency to decline. This has been further aggravated by the diminished opportunities in new construction for equity capital. Some of this capital undoubtedly was diverted into the existing real estate market and further added to the investment demand.

4. On the supply side, there is relatively little choice residential investment real estate for sale. Present owners have had a very satisfactory experience in good locations over the past decade and are reluctant to sell because of the absence of a better alternative. When real estate is offered for sale, the price is naturally bid up by the eager buying public. Thus, prices rise and yields decline.

All these factors have conspired to keep equity returns at their current relatively stable and low levels.

A combination of increasing rents and stable, if not declining, overall rates of return have undoubtedly resulted in higher prices over the last decade. There is nothing on the investment horizon which would conceivably alter these trends for the immediate future. In the long run, however, the inevitability of higher equity yields and a continuance of high mortgage interest can reasonably be anticipated. This is not in any way expected to affect investor attitudes in the next few years.

Property Tax Aspects

The extremely high cost of sustaining the economic vitality of urban core areas is no where better illustrated than in Manhattan. During the eleven year tax period from 1949-50 through 1959-60, taxable assessed values rose from 8.3 billion to 9.9 billion or 19%. Actual tax collections rose from 245 million to 418 million or 70%, reflecting also the 40% increase in the tax rate over the same period. At the same time, exempt properties rose from 3.2 billion to 4.8 billion, a 49% increase, evidencing an increase in the ratio of exempt assessed valuations to total assessed valuations from about 28% to 33%. Stated differently, while taxable assessed valuations rose 19%, exempt assessed valuations rose 49%.

These figures reflect a continuing increase in tax exempt or partially tax exempt public housing, the Redevelopment Companies Law and Article IX of the Public Housing Law. These housing measures have now been supplemented with passage of the Limited Profit Housing Companies Act of 1955, as amended, which permits municipalities to give up to 50% tax abatement on housing projects built under its provisions. While the need for these tax subsidies may be unquestioned,

it does impose an added burden on the constantly decreasing fully taxable properties, which must assume the taxes that otherwise would be forthcoming from new projects. A significant counter-balance is the recognition that much of this sorely needed new construction would not have been attempted without some tax abatement since higher rents would have been beyond the reach of many middle income families. In other words, tax abatement has permitted rent reductions of 10% to 15% under what would have to be charged with full taxes.

There is nevertheless a limit to the extent to which the private housing market can continue to absorb subsidies granted to special housing types. Where this limit may be is a matter of prudence and judgment. Elsewhere we have commented on the amount of New York subsidized housing. It is felt that, percentage wise, this limit is within hailing distance. The alternative is to discourage private construction of fully taxable housing, further increase taxes on existing private properties and ultimately cause declines in residential values.

The ironic aspect of this problem is the loss in tax revenue to the City arising out of the undue continuance of rent controls. The City budget for essential municipal expenditures could have long ago been increased because free market properties could well afford to pay absolute tax increases which they can ill afford under present circumstances. The low assessed valuations of controlled residential properties undoubtedly has magnified and distorted the relative amount of exempt properties.

Apartment properties generally are assessed for higher ratios than one family dwellings. This discriminating practise unfairly increases the taxes which the owner must pay. In many instances, particularly in the case of new properties, the incidence of this tax is passed on to the tenant in the form of higher rent. Fortunately, this is not as great a problem in Manhattan because there are few private dwellings but it is a serious problem in outlying boroughs. Since many municipal expenditures are on a city-wide rather than borough basis, the rate in Manhattan does reflect shouldering that portion of the tax burden which equitably should be shared by private dwelling owners.

On balance, New York City has managed to maintain a fair tax structure despite absolute and percentage increases in tax exempt properties. A fantastic office building boom which has added several hundred million dollars to aggregate assessed valuations, plus a sound fiscal administration, has enabled New York to contain its property taxes to the point where they are not a deterrent to new construction. By way of contrast, it is estimated that property taxes are running about 3½% of the market value of Manhattan property; in Boston, they are running between 5% and 7% of the market value. As a result, in New York, we have had an excellent record of new construction and constantly increasing land values. In Boston, there is

little new construction and an actual recession in land values. We therefore conclude that the property tax climate in Manhattan is excellent for new construction.

A study has been made of the ratio of tax collections to total municipal expenditures. Despite the 70% increase in tax collections over the past decade, these tax collections have remained a relative constant of municipal expenses, with a recent tendency to decline somewhat. As Table 55 indicates, property taxes only constitute 34% of the cost of operating our municipal government. This is quite a low figure and expressive of equitable real estate tax policy. It also indicates that real estate is not discriminated against as compared to other revenue raising measures. This does not necessarily mean, however, that the tolerance level of real estate and other taxes has not been reached. It only means that real estate taxes, high or low, are currently a fair percentage impost.

Expenses have risen at a slightly faster rate than tax collections. They will continue to rise. The extent to which New York can tax residents by excise and sales levies, in addition to property taxes, without reaching the point of diminishing returns, must be carefully watched. By contrast, during this same period of time, consumer prices rose only 20% and construction costs 33%. Tenants are affected by these expenditures, as reflected in their rent, in sales and other taxes. Undoubtedly these are among the complex motivations which has caused households to desert the city for suburbia. It is undoubtedly less expensive, except for transportation, to live in comparable accommodations in suburbia.

An interesting comparison of the relative importance of Manhattan to the City's economy is the ratio of Manhattan's tax collection to the city total. About 49% of all tax collections are from Manhattan properties. This is a perfect indicator of the accumulated wealth, principally in commerce, in Manhattan properties.

TABLE 55
RATIO OF TAX COLLECTIONS TO MUNICIPAL EXPENDITURES
MANHATTAN FISCAL YEARS 1950-1958

Fiscal Year	Total N.Y.C. Disbursements (in Millions)*	% Increase (with 1950 as a base)	Tax Collections (in Millions)*	Collections As % of Total Disbursements
1950	1,490.5	-	503.6	33.8
1951	1,524.5	2.3	547.4	35.9
1952	1,649.4	10.7	560.2	34.0
1953	1,796.9	20.6	613.4	34.1
1954	1,867.1	25.3	694.0	37.2
1955	1,952.6	31.0	725.3	37.1
1956	2,169.8	45.6	787.9	36.3
1957	2,315.6	55.4	837.5	36.2
1958	2,524.3	69.4	852.7	33.8

* Figures rounded to nearest tenth
SOURCE: Annual Reports of the Comptroller of the City of New York.

TABLE 56

ASSESSED VALUATIONS OF MANHATTAN PROPERTIES & TAX COLLECTIONS

(1949-50 through 1959-60)

TAXABLE	TAX RATE	ASSESSED VALUE	% INCR. ('49 base)	(000's) COLLECTIONS	% INCR. ('49 base)	ASSESSED VALUE	% INCR. ('50 base)	TOTAL ASSESSMENT	% INCR. ('50 base)
1949-50	2.97	8,263,994,725		245,441					
1950-51	3.22	8,291,241,400	.3	266,978	8.8	3,197,922,431		11,489,163,831	
1951-52	3.27	8,380,082,715	1.4	274,029	11.6	3,300,253,117	3.2	11,680,335,832	1.7
1952-53	3.39	8,636,323,555	4.5	292,771	19.3	3,461,232,385	8.2	12,097,555,940	5.3
1953-54	1st Half 3.43 2nd Half 3.97	8,728,803,694	5.6	322,966	31.6	3,575,511,121	11.8	12,304,314,815	7.1
1954-55	3.75	8,831,919,726	6.9	331,197	34.9	3,704,366,446	15.8	12,536,286,172	9.1
1955-56	3.94	9,031,541,003	9.3	355,843	45.0	3,798,760,641	18.8	12,830,301,644	11.7
1956-57	4.10	9,131,709,709	10.5	374,400	52.5	3,909,526,006	22.2	13,041,235,715	13.5
1957-58	4.07	9,396,762,928	13.7	382,448	55.8	4,029,926,766	26.0	13,426,689,694	16.9
1958-59	4.21	9,585,022,358	16.0	403,529	64.4	4,545,115,266	42.1	14,130,137,624	23.0
1959-60	4.24	9,851,684,894	19.2	417,711	70.2	4,755,279,771	48.7	14,606,964,665	27.1

SOURCE: Compiled from Annual Reports Tax Department of New York City.

Income Tax Aspects

Federal income taxes, in our judgment, are not a significant deterrent to new construction, as has occasionally been alleged. The fact is that the tax shelter possibilities in real estate investment are so excellent that affluent investors are steadily deserting the stock market for real estate. This is one reason why we have no shortage of equity capital.

The favorable income tax position has resulted primarily from the liberal depreciation allowances permitted under the Internal Revenue Act of 1954. These depreciation allowances, plus the typical devices of debenture issues, officers' salaries and liberal management allowances as deductible items often permit a portion of the income to be tax free. In areas where the land assessment is low in relation to the total assessment, a wholly income-tax free return is relatively commonplace.

While high land values in Manhattan make income-tax free investment difficult, nevertheless it is customary for every builder to anticipate some portion of his equity investment to be tax free. The construction of rental or cooperative housing in Manhattan has not been in any way hindered by income tax considerations. If the typical Manhattan builder felt he was discriminated against, the post World War II level of new construction would not have been achieved.

Syndication

Gradually increasing values and expanding new construction have in the past five or more years created the need for additional equity capital - capital beyond those accumulations of the professionals and occasional investors in the field. Concurrently, the restless investing public, disappointed at low stock yields, sensing the high yield and capital gains potential in real estate, began to cast about for means to enter this field. The real estate syndicator filled this void by acting as a catalyst between the public and the real estate market.

Essentially the syndicator performs a wholesale function. He buys improved property or vacant land at or close to the market value, where large amounts of capital are required. By employing the marketing device of "breaking bulk", he sells the property to the public in fractional amounts. Since he is dealing with the public, and since the relatively small shares permit widespread public participation not otherwise possible because of the large properties involved, the syndicator is able to make a large profit as the public is willing to accept a lower return.

Originally, syndications were all on existing properties on the theory that the public wanted immediate income from a completed building and would be unwilling to speculate on whether a proposed

building could be successfully rented. Recently, however, some syndications have been successful on new apartment construction. What this means is the probability that there will be no dearth of equity funds for sound new construction and that equity money is relatively assured for the conventionally financed properties. It is felt that the F.H.A. 213 & 220 apartments, as well as the Limited Profit Units, will not require syndication because the cash requirement is so small.

SUMMARY AND CONCLUSIONS

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Economic Factors

Manhattan, the central core area of the City and the hub of the Standard Metropolitan Area, has been slowly declining in resident population for the past decade, a trend which is expected to continue at a decellerated rate in the next decade. Moderate population increases in peripheral boroughs were more than offset by Manhattan's 10% loss.

During the same general period households in Manhattan increased 20% despite the decline in population, endence of a decreasing household size. The average household in Manhattan is now estimated at 2.96 persons. The populace is also aging and households have fewer children. There has also been a sharp increase in non-related households of one and two persons in the last decade. Pensioned households tend to reside in rent controlled, older housing accommodations while the older, high income groups favor luxury type apartments, primarily on the east side of Manhattan.

Manhattan's population is becoming proportionately more non-white and Puerto Rican. These groups are replacing substantial middle-income white families with children who have moved to outlying boroughs or the suburbs. Because the in-migrants have not had the socio-cultural and educational advantages of the older urban dwellers and because language and color barriers still exist in relatively cosmopolitan New York, their adjustment has been a difficult and trying one.

Slums have been created and blight introduced in areas in which they have settled. Their low economic status and their over-crowding of available housing has increased the pressure for additional subsidized housing to meet their needs. Unfortunately, the substantial in-migration has motivated further out-migration on the part of the white populace. About 40% of Manhattan's population is now non-white or Puerto Rican and this is expected to increase substantially over the next decade. Many of these non-white and Puerto Rican households are recent arrivals and are unfamiliar with our concepts of standard housing practises and customs. Their proportion of Manhattan's populace is expected to increase to 60% or more in the next decade. This is not an ideal climate for a housing market.

In common with all urban centers, the income of individuals and households has risen substantially in the last decade, with Manhattan leading the other boroughs. Despite the relative wealth in Manhattan, 71% of the populace earn less than $7,000 a year. About 17% earn between $7,000 - $10,000. New York living and housing expenses are so high, however, that they tend to dissipate any advantage which the New York wage earner may hold in gross earnings over his counterpast in other large cities.

On the employment front, both New York City and Manhattan sustained losses in the total labor force over the last decade. Manhattan's principal declines have been in manufacturing, wholesale and retail trade. Increases have occurred generally in all white-collar worker categories, as finance, public utilities, insurance and government, as reflected in the office building boom. Other significant employment increases occurred in services, as reflected in the growth in the tourist trade and in cultural and educational facilities. The employment losses thus have been partially offset by increases in these categories. However, low wages in the service trades weakens purchasing power formerly exercised by manufacturing employees. This points to a decided weakening in the demand for middle-income housing and an increase in the demand for low rent, subsidized housing.

Real Estate Market Factors

Rents have been rising slowly, generally in pace with our moderate inflation, in most conventionally financed, fully tax-paying, post World War II housing. Rent control has contained rents, however, for the bulk of the housing inventory. Free market new construction rents can be afforded only by some 25%-30% of the households in Manhattan.

In both a qualitative and quantitative sense, there has been a weakening of demand for Manhattan housing. Statistics on average household income are somewhat misleading since a relatively small number of households with high incomes increase the average and obscure the relatively large number of households under $5,000 per annum.

An office building boom that will have produced 40 million square feet of space by the end of 1960 has not sparked an equally significant residential housing boom. White-collar employees with children reside in the periphery and the suburbs, leaving the premium residential core to a fractionally small group of older, childless families or non-blood households.

Islands of good housing in the traditionally established sections will of course continue to exist profitably. Private initiative in fact has generally been able to supply a sufficient number of new apartment units without government help or aid for those households able to pay economic rent and in conformance with demand.

An extension of fully taxable housing construction on Title I sites is possible if those sites have unique locational advantages. The best illustration of excellent upgrading is Washington Square Village, which ties in to New York University and Washington Square on the north. The West Side Urban Renewal Tract is a fine location, contiguous to Central Park and convenient to excellent transporta-

tion. This area is ideal for upgrading with a majority of fully tax-paying dwelling units. It is entirely too well situated for an undue amount of tax abated housing. Some economic integration may be achieved here, as discussed in the text, because of the combination of redevelopment, rehabilitation and conservation and the retention of the grid pattern of streets.

The residual demand picture has also been characterized by a steadily increasing involvement of the municipal government in housing. The result is that 39% of Manhattan housing construction is public housing; 60% is tax aided or subsidized in some manner.

On the supply side, the need to demolish tenement structures to obtain building sites, plus conversions to non-residential uses, have virtually cancelled out the volume of new construction. Nevertheless, an improvement in the quality of the Manhattan housing stock has resulted, despite the spread of blight and deterioration to other sections resulting from the relocation of slum dwellers. An increasing tempo of construction activity, particularly in Title I housing, is anticipated.

An incongruity is the current disposition to plan for low rent, tax aided housing on expensive core land. That some tax abated housing is required seems indisputable. This type of housing should be constructed in low land value areas where blight and slum exist and every effort should be made to plan fully taxable housing in areas where tenants are willing and able to pay economic rent.

Title I represents a golden opportunity to plan a character of housing which will broaden the market for Manhattan housing and induce suburban families to relocate in the heart of the city. This reversal of the prevailing migratory pattern can happen sometime in the next decade, provided the best Title I sites are not allocated to tax abated housing.

It is not impossible to visualize over the next decade a substantial increase in demand, provided the premium Title I sites are imaginatively planned to attract a broad, quality group now residing elsewhere in the metropolitan area. Title I will eliminate the shortage of building sites for private sponsorship and provide a supply climate for a moderate residential housing boom. Displacement of publicly aided construction on premium urban renewal sites will not only produce higher tax revenue but will result in lower municipal costs.

On the other hand, conjunctive, subsidized, financial aids, as expressed in the Limited Profit Housing & Redevelopment Companies Acts, should be confined to those urban renewal sites where insufficient marketability exists to obtain private sponsorship on a conventionally financed basis.

Reflective of the restrictive influence of rent control, which straight-jackets the market, vacancies are non-existant in controlled accommodations and about 2% in free market buildings. Tenant turnover (tenant mobility) is characteristically lower at 9% than the national average of about 17%, again influenced by rent control.

Marketability can be frequently deduced from land prices and land sales activity. The east side, lower Fifth Avenue-Greenwich Village and Murray Hill sections all experienced land booms and much sales activity. By contrast, no such boom or activity was evident on the west side.

Manhattan is regarded as a mortgage money surplus area. Legislation has produced many financing aids limiting equity investment, reducing carrying charges and permitting tax abatement. A combination of these conditions provides an ideal climate for new construction.

A factor of considerable importance, one frequently ignored, is the beneficial effects of the filtering process. 80% of the households in new housing come from other city apartments. In many cases, the tenants have upgraded their housing environment and vacated a more modest apartment, freeing it for use by a family unable to afford new housing. It is a patent absurdity to expect that all households deserve or should have new housing. With the economic life of housing variously estimated at 40 to 60 years, most households must adjust themselves to living in housing that they can afford, the bulk of which we might consider as "used". The filtering process is, of course, impaired by rent control. Less tenant mobility, space waste and low rent (as compared to free market rent) create an impression that a wide range of housing choice cannot be achieved.

Governmental Factors

Insistence on the indefinite continuance of rent control has adversely affected the housing market in New York City. It has discouraged new construction for many reasons. It has accelerated physical deterioration. It has provoked conversion to other uses. It has resulted in a tragic waste of space. It has hurt the in-migrant and created the over-crowding that now prevails. Perhaps most significantly, it has created an impression of a shortage that may not even exist - the illusion of a shortage generated by bargain counter rent. A long term, statesmanlike program of initial liberalization, followed by eventual decontrol, must be undertaken. A concurrent strengthening of municipal code enforcement is an indispensible adjunct. Otherwise, the weakening in the housing market will be difficult to arrest, let alone eliminate.

In anticipation of a possible eventual rent decontrol and its economic effects, a new, studious look should be taken by the municipality at the amount of public housing that the taxpayers can afford. Very shortly over a half million people will reside in public housing. This is 6½% of the city's population, a percentage higher than any other city in the country. About 13% of Manhattan's populace reside in public

housing, or twice the city percentage. While this many not necessarily be too high, the sense of urgent need may very well be distorted by the effects of rent control. It is entirely possible that too much public housing is being planned in a vacuum, without regard to long range needs or effects.

Investment Trends

There is no dearth of mortgage or equity funds in New York City or Manhattan. As the financial capital of the world, with a highly urbanized metropolitan population, savings and investment funds are more than ample for any soundly conceived and located project. The increasing popularity of public syndication, not only for existing realty but for proposed new construction, assures, somewhat paradoxically, a greater supply of equity than mortgage capital.

A steady, inexorable, disproportionate increase in the amount of tax exempt properties is a cause of concern among investors. Municipal expenses are rising faster than collections. This pressure could easily be relieved if decontrol permitted assessments on the basis of free market income. On balance, our property tax situation is not a deterrent to new construction nor does it impair values, as is characteristic of Boston and other cities.

From the income tax viewpoint, real estate has great attraction to builders and investors because of the liberal depreciation allowances permitted under the Internal Revenue Act of 1954. The tax shelter potention has been a major factor in stimulating real estate investment.

The volume of sales and prices in Manhattan have followed classical patterns. Prime locations create sales activity, high prices and new construction. This has been true of office construction in the mid-town and Wall Street sections. It is also expressed in the east side residential land market, which has enjoyed a modest boom. The disturbing factor has been the continuing deterioration and the transition of entire areas from blight to slum in Manhattan. Chelsea, East Harlem, Park West have felt this impact. Other sound sections, as Washington Heights, are rapidly becoming blighted. Blight and slum are daily progressing at a faster rate than our capacity to redeem these decaying, costly, depressing sections.

The Future For Manhattan Housing

Forecasts of the Manhattan housing market must be made within the framework of realization of the changing internal structure of the city, particularly the core. Manhattan dominance in manufacturing, retailing, wholesaling is a thing of the past. Emphasis has shifted to the importance of finance, commerce and tourism as underlying economic base factors. A fuller appreciation of the importance of Manhattan's cultural and educational facilities to the metropolitan area and to the nation is evolving. The core areas will increasingly be devoted over ensuing generations to the uses enumerated. This is a logical and desirable evolutionary process.

The transition, however, brings concurrent problems. Certainly we see the subordination of the housing market. Its ascendency of the past has been lost to the dynamic new structure and purpose of the Manhattan core area. Newly arrived rural families, attracted by the availability of low paying service trade jobs, unaccustomed to the disciplines of urban living, have unwittingly been the major contributors to the spread of blight and slum. The fact is that we must plan for a continuing influx of these peoples to reside in the aging, obsolete housing always found in central city areas.

This problem can be met squarely and humanely, first by facing up to the need to decontrol housing rents. Only then can our housing needs be effectively and intelligently assayed. Incidentally, decontrol would permit a dispersal of these families over a greater, city wide area, achieving a socially desirably integration, limited originally, but increasing in time as these families and their children acquire more education, culture and appreciation of standard housing practises.

Our second broad objective would be to plan for reuse of Title I sites in accordance with the competitive marketability of each site, and not in accordance with socio-political needs. This would still permit ample construction of tax aided housing on less expensive land, preferably away from core areas. Each site should be tested for its capacity to attract and sustain economic rent. Tax abatement should be permitted only where economic rent is impossible to obtain.

A degree of economic integration can be planned in urban renewal areas where the street system is retained, and where conservation, redevelopment and rehabilitation are contemplated. Substantial economic integration, however, will come naturally only in time and can not be forced by governmental edict.

The proposed new New York City zoning ordinance, now under consideration, represents a major, crucial step in the future of Manhattan and the city as well, for housing. The city cannot permit either its commercial or residential areas to strangle on human congestion, surface traffic snarls, and rapid transit delays. Indispensible to a spread of the quality Manhattan housing market is the need to plan for far less human density and to insure more light, air and exposure. This can be effectively accomplished by floor area ratios and bulk controls.

The adoption of the new code will mean a dispersal of housing among the 31,000 acres of land still available for use within the city's boundaries. Far from producing less tax revenues, the effect of the new code will be to produce added tax revenues since the land now economically fallow will permit substantial assessment increases as it is developed. Core area land will not fall

in value as much as feared since the amenities and the attractiveness of the residential environment will have been substantially increased.

Last, although the immediate housing prospect for Manhattan is bleak, we do foresee the definite possibility of an upturn of substantial proportions sometime over the next decade, provided our qualifications previously expressed are adopted as housing policy by the community. There is also a basis for this resurgence without elimination of rent control or without improvement in code enforcement, but to a lesser degree. This upturn will not and cannot reverse the trend towards occupancy of the most aged housing stock by low income groups; this will continue to present problems for at least two generations. The upturn means that a greater volume of taxpaying new residential construction may result as well as a proportionate increase in the housing stock of quality housing, a sorely needed objective.

The West Side Urban Renewal Story

No other Title I project in New York arouses as intense interest in its reuse potential as this site. The entire west side from Columbus Circle to Columbia University is on the threshhold of a revitalization program that will create a new wholesome environment, with substantial tax revenue increases for the community. The Coliseum office building and apartments, Lincoln Square, Yeshiva University, the West Side Urban Renewal Area, Park West, Morningside Gardens - all are essential to this revitalization.

The great danger lies in attempting to solve all of Manhattan's housing ills in this one urban renewal section by introducing a disproportionately heavy amount of tax abated housing. The area is potentially so attractive that every planning effort should be made to encourage quality housing. This in turn will encourage private initiative on contiguous sites. The regenerative process could be multiplied, the market expanded, the renewal assured. This feeling of confidence about the potentials of this area is supported by the surprisingly intensive interest on the part of dozens of experienced, financially capable builders in the West Side Urban Renewal Project. Another encouraging note, perhaps the best clue to the extent of the potential regeneration, is the relative success of Webb & Knapp's F.H.A. 220 Park West Village immediately to the north.

Since the project must of necessity be planned in three stages, over a 5 to 7 year period, nothing is lost by testing the capacity of the market to pay economic rent. If planning goals are not fully met in this respect, tax abated housing could be substituted, as required. Social needs can perhaps be partially met by planning for minimum limited rehabilitation of side street brownstones. The rehabilitation would be directed primarily at insuring adequate heat, hot water, bath and kitchen facilities and wiring. Overcrowding would, of course, be eliminated.

It is not within the scope of this report to evolve detailed planning concepts. This is properly the combined function of the Urban Renewal Board and the planning-real estate consultants in the preparation of the Final Plan. The planning, however, should ideally be a reflection of three underlying factors. The first is the over-all housing policy of the municipality. The authors are in disagreement with current municipal housing policy in some respects. The second factor is the condition of the Manhattan housing market and the future for that market. There is no denying the loss in quality that the Manhattan housing market has experienced while the other boroughs and the suburbs have gained. Nevertheless, a regeneration of Manhattan housing is a distinct possibility over the next decade. The third and last factor is the relative marketability of the subject tract, in light of its location, in view of anticipated demand, and as expressed in the interest of builders, investors and mortgagees.

The project can only succeed with the support of builders and mortgage lenders. The planning process might include the solicitation of their viewpoint and suggestions for obtaining optimum utilization of the tract, consistent with the community's welfare.